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Japan's big business
falls into step
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FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY SEPTEMBER 21 1993

D6523A

Ex-communists seek partners to govern Poland

Poland's politicians began a search for government coalition partners following Sunday's election victory by the former communist Left Democratic Alliance (SLD) which won a fifth of the votes and more than one-third of the seats in the lower house of parliament. Preliminary results put the farmers' PSL movement into second place, with a 15 per cent share of the vote. Page 16

Finnish nuclear debate: European energy industry leaders and environmentalists will be watching the Finnish parliament closely today as debate opens on whether to approve construction of a new nuclear power plant. Page 16

Warship hosts last-minute talks on Bosnia

The three Bosnian factions were locked in secretive meetings on board a British naval vessel in the Adriatic in a last-minute attempt to overcome obstacles to a peace deal due to be signed in Sarajevo today. Bosnian president Alija Izetbegovic (left) joined Croatia's president Franjo Tudjman and Bosnian Croat leader Mate Boban for talks with the international mediators. Page 2

SocGen to raise stakes: Société Générale, one of France's largest banks, plans to raise its minority stakes in Rhône-Poulenc, the chemicals company, and Assurances Générales de France, the insurance group, as part of the French government's privatisation drive. Page 17

Japan likely to cut rates: Japan's central bank is expected to cut its main lending rate by at least half a percentage point today, in an attempt to pull the economy out of recession. Page 4

Nordbanken faltouts: The extent of the problems jettisoned by the Swedish commercial bank Nordbanken was made clear when Securum, which took on most of its bad debts, announced a Skr12.9bn (\$1.64bn) loss in its first six months of operation. Page 17

Australian shares issued: Bank of Melbourne, the regional bank, announced a \$118m (US\$77.1m) issue of convertible preference shares, which will qualify as Tier 1 capital under central bank prudential guidelines. The shares, with noncumulative rights, will be issued on a one-for-12 basis at A\$13 each. Page 20

Mitsubishi moves: Mitsubishi Motors said it was studying the possibility of selling in Japan a new car developed by Chrysler, called the Neon, reflecting the pressure on manufacturers to help the cause of the US car industry there. Page 6

Saxony mining rights: An Anglo-American energy consortium is set to complete one of the largest, single investments in eastern Germany after premier Kurt Biedenkopf of Saxony said he would grant it mining rights. Page 6

Japanese arrest: Japan's crackdown on political corruption claimed its most famous corporate victim with the arrest of Teruo Yoshino, chairman of Shimizu, the leading contractor, for alleged bribery of a provincial governor. Page 4

Fimmeccanica float: Fimmeccanica, the principal industrial arm of IRI, the Italian state holding company, has decided to float 40 per cent in the New York stock market of two of its leading engineering subsidiaries. Page 18

ABB's joint venture: Asea Brown Boveri, the Swiss-Swedish engineering group, is forming a joint venture with Saturn - a Russian company best known for producing engines for the Sukhoi 27 jet - to manufacture parts for power plants. Page 6

Toshiba merger: Toshiba, the Japanese electrical group, is merging two members of its Aetrisa, or industrial operations, amid deteriorating economic conditions and an appreciating yen. Page 20

Profit warning hits Nike: Shares in Nike fell sharply in New York after the Oregon athletic shoe and apparel manufacturer warned that earnings in the current fiscal year would fall to match 1993 levels. Page 19

Fall in car sales slows: West European new car sales have posted their smallest monthly decline this year, slipping only 1.5 per cent in August on an estimated 1.03m. Page 3

STOCK MARKET INDICES

FT-SE 100: 3004.5 (-1.0)
Yield: 3.9
FT-SE All-Share: 1278.05 (-13.04)
FT-SE 100: 1482.72 (-13.04)
Nikkei: 20,280.03 (-125.01)
New York: 2,812.41 (-0.84)
Dow Jones Ind: 2,812.41 (-0.84)
S&P Composite: 620.15 (-0.32)

US LUNCHTIME RATES

Federal Funds: 3.1/4%
3-mo Treasury Bill: 3.1/8%
Long Bond: 6.047%
Yield: 6.047%

LONDON MONEY

3-mo interbank: 5.1/4% (5.1/4%)
Libor 3m: 5.1/4% (5.1/4%)
Libor 6m: 5.1/4% (5.1/4%)
Libor 12m: 5.1/4% (5.1/4%)
Brent 15-day (Nov): \$16.51 (16.14)

WORTH SEA OIL (Argus)

Brent 15-day (Nov): \$16.51 (16.14)
Brent 15-day (Nov): \$16.51 (16.14)
Brent 15-day (Nov): \$16.51 (16.14)

Gold

New York Comex (Dec): \$355.5 (352.0)
London: \$353.8 (352.0)
Tokyo close: ¥194.20

STERLING

New York lunchtime: \$1.533
London: \$1.532 (1.5345)
DM: 2.47 (same)
FF: 8.225 (8.62)
Sfr: 2.15 (same)
Y: 169.75 (180.0)
E Index: 80.3 (80.7)

DOLLAR

New York lunchtime: DM 1.6165
DM: 1.6165
FF: 1.822
Sfr: 1.4005
Y: 104.36

DM

DM: 1.6125 (1.6093)
FF: 5.6275 (5.6173)
Sfr: 1.4005 (1.4005)
Y: 104.36 (104.36)
E Index: 80.3 (80.7)

As 35 EC foreign, agriculture and trade ministers met in Brussels, there were nevertheless signs of an emerging consensus in favour of giving the European

BNP eyes European bank links

By Alice Rawsthorn and Peter Martin in Paris

BNP Paribas, the first candidate for privatisation by France's centre-right government, may extend its alliance with Dresdner, the German bank with which it has a cross-shareholding agreement, to include links with other European banks. Mr Michel Pébereau, chairman of BNP, said yesterday before the launch of the bank's privatisation marketing campaign that BNP and Dresdner might consider forging commercial links with other European banks to expand their retail banking activities into other areas of the European Community.

The agreement with Dresdner means that BNP's French clients

Privatisation candidate may use Dresdner alliance to expand retail activities in the EC

can use the Dresdner network in Germany and their German clients can use our branches in France", Mr Pébereau said. "Eventually we will need to offer a similar facility in other countries. It is possible that together we might link up with banks in Italy or the UK."

Mr Pébereau emphasised that future alliances would be devised on a purely commercial basis and, unlike the BNP/Dresdner deal, would not involve equity participation. "These agreements will be co-operative commercial ventures," he said. "They will not

involve an exchange of equity". The agreement between BNP and Dresdner, one of a number of cross-border ventures recently concluded in European financial services, enables each bank to take up to 10 per cent of the other's equity.

Shares will not be exchanged until after BNP's privatisation, which is scheduled for completion by December 20. It also awaits authorisation by the European Commission.

Mr Pébereau said BNP and Dresdner had not yet begun negotiations with any prospective

European partners. He added that the French and German banks would wait until after BNP's privatisation and EC authorisation before deciding how to orchestrate their future expansion in Europe. He described the Dresdner alliance as central to BNP's strategy in retail banking and in international banking for companies. Mr Pébereau said BNP planned to concentrate on internal growth to develop its international banking operations, but it might consider strategic acquisitions in specific sectors.

He and the BNP board are beginning a series of marketing presentations this week in preparation for the bank's sale to the private sector. BNP is under considerable financial pressure because of the French recession. BNP recently reported a 61 per cent fall in interim net profits from FF1.33bn in the first half of 1992 to FF522m (\$91.6m) in the same period of this year, when it made net banking income of FF21.23bn. Mr Pébereau said that 1993 would be a difficult year and that 1994 would be "difficult too" with "the real recovery" coming in 1995.

Lex, Page 16

Société Générale to increase company stakes, Page 17

Balladur tells state companies to curb job cuts

By John Ridding in Paris

MR Edouard Balladur, the French prime minister, yesterday ordered state-owned companies to minimise job cuts and demanded that they review redundancy plans in the light of a five-year jobs package to be debated in parliament later this month.

The plan urges employers to use short-time working, part-time employment and early retirement as ways of avoiding sackings. Mr Nicolas Sarkozy, the government spokesman, said public companies' redundancy plans would be rejected by the state if they failed to use such measures as fully as possible.

Yesterday's statement followed a meeting of several ministers, chaired by Mr Balladur, called in response to a wave of public sector redundancy plans. On one day last week, dubbed Black Wednesday by the French press, state-owned companies announced about 13,000 job cuts.

The redundancy plans - which included large job cuts at Air France, Bull, the computer manufacturer, Thomson CSF, the defence electronics group, and Smeema, the air engine manufacturer - were a serious blow to Mr Balladur, who has said that curbing the rise in unemployment is his leading priority.

The unemployment rate, which stands at 11.7 per cent and which is forecast to exceed 12 per cent by the end of the year, is regarded as the government's

highest political liability. Last week's job losses sparked an angry reaction from unions who demanded a six-month employment freeze at public companies.

Mr Balladur's orders met with a favourable response from Thomson-CSF. The electronics group said it had started negotiations with unions yesterday to propose a cut in working hours in exchange for a cut in redundancies. The company said it might be possible to avoid all the planned 1,600 job cuts due by the end of next year if the unions accepted its plans.

Economists were sceptical about the impact of Mr Balladur's statement. They said many state-owned groups had already received the go-ahead for job cutting plans. The government's budget deficit, targeted at FF171bn (\$55.6bn) this year, reduced its ability to support state industry and necessitated economy measures at state companies.

A spokesman in Mr Balladur's office said the prime minister's stance was aimed principally at public sector employers. But private sector companies were also urged to implement redundancies only as a last resort.

The spokesman said the government might consider the limiting state aid for job reduction packages where private companies were not exhausted alternative measures.

Most French oppose Maastricht, Page 3



Yassir Arafat is greeted by King Hussein in Amman where he will have talks with Jordanian officials

US calls Mideast aid meeting

By George Graham in Washington

THE US yesterday called a conference of potential donors to drum up aid in support of the peace agreement between Israel and the Palestine Liberation Organisation.

Mr Warren Christopher, the US secretary of state, said that he and Mr Lloyd Denison, the Treasury secretary, would convene a donors' conference to help coordinate aid for Palestinian self-rule in the Gaza strip and Jericho.

"Today on behalf of President

Clinton I announce our intention to lead a wide-ranging effort not simply to give peace a chance but to ensure that it will not fail." Mr Christopher said in a speech at New York's Columbia University.

Delegates from Israel, the PLO and Arab countries are meeting this week at the World Bank in Washington to discuss investment needs in the area.

Mr Christopher did not men-

tion a date for the conference in his speech. He said the World Bank would play "a major coordinating role" in helping deliver assistance to implement the plan for Palestinian self-rule in the Gaza Strip and West Bank, occupied by Israel since the 1967 war.

Continued on Page 16

Assad cool on deal with Israel; Arafat in Jordan, Page 4

German coalition meets after fall in vote

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl yesterday chaired a crisis meeting of leaders of Germany's three coalition parties in a bid to paper over cracks in his ruling alliance. The parties suffered a decisive vote of no confidence in local elections in Hamburg on Sunday.

Both Mr Kohl's Christian Democratic Union and the opposition Social Democratic party, admitted that a big protest vote in Hamburg, in favour of the Greens, two extreme rightwing parties and an anti-party alliance, was a severe warning for the traditional political establishment.

The result was worse for Mr Kohl's CDU, with a slump in support from 35 per cent in 1991 to 25 per cent on Sunday, in spite of a swing against the ruling SPD government which saw it lose its overall majority in the city. SPD support fell from 48 per cent to 40.4 per cent.

Mr Peter Hintze, general secretary of the CDU, warned that the splintering of support for the major parties would undermine future coalition government, making it increasingly difficult to form "majorities capable of action".

The major parties must tackle the fundamental causes of protest, he said, including rising crime, unemployment, and the lack of cheap housing.

The meeting yesterday did produce agreement on a new social insurance plan to pay for nursing care for the elderly. Mr Klaus Kinkel, foreign minister and leader of the liberal Free Democratic party, which lost all its seats in the Hamburg city parliament, promised that he would not allow the coalition to collapse over the issue.

Mr Rudolf Scharping, leader of the SPD, said the continuing rise of the extreme rightwing parties - although they failed to win any seats they gained a combined 7.6 per cent of the vote in Hamburg - was "alarming".

The Greens were the big winners in the city election, almost doubling their vote from 7.1 to 13.5 per cent, followed by the Statt Partei - literally the

Continued on Page 16

Editorial Comment, Page 15

EC battles to save Gatt after food import objections

By David Gardner and Lionel Barber in Brussels

THE European Community was last night desperately trying to head off a crisis over the Gatt world trade talks amid a warning from the UK that failure to reach a deal would bring normal EC business to a halt.

Germany warned of "catastrophic dangers" to its economy if France's objections to the Blair House agreement between the EC and the US on limiting subsidised farm trade wrecked chances of concluding the Uruguay Round by its December 15 deadline.

Mr Douglas Hurd, foreign secretary, said the EC would be paralysed by recriminations if the Uruguay Round failed. "It's not the case that in causing a crisis in Gatt we can avoid an internal EC crisis," he said. "I cannot conceive how the EC will continue with the normal transaction of business if it were seen as causing the collapse of the Uruguay Round."

As 35 EC foreign, agriculture and trade ministers met in Brussels, there were nevertheless signs of an emerging consensus in favour of giving the European

Commission authority to test if the US is ready to accept an amplification of Blair House to accommodate French concerns over limits on its lucrative food exports.

Senior Commission officials, and others who negotiated Blair House last November, said efforts to reach a compromise would centre on finding a formula to delay cuts in subsidised food exports so as to run down EC food mountains. "If the Americans want to be helpful, that is an area in which we can help resolve this," one Commission negotiator said.

Sir Leon Brittan, chief EC trade negotiator, has written to Washington setting out concerns. But he warned ministers of the danger that the US would in turn exact new concessions in other areas of the Gatt talks.

France's latest outline of its demands went further, covering adequate protection for the EC against food imports, extension of the so-called "peace clause" on EC-US farm trade disputes, and a provision indexing the EC's share of international markets to their future growth, particularly in Asia. "What is at stake is the

basic concept of Europe and solidarity between us," said Mr Alan Juppé, French foreign minister.

UK officials would not be drawn on whether Mr Hurd's comments amounted to a UK threat to boycott EC initiatives. French officials seemed surprised by the recent hardening of Britain's position, which other member states and the Commission warned could make it more difficult to paper over differences.

Mr Klaus Kinkel, the German foreign minister and Bonn's foremost defender of Gatt, said the French were "playing for the highest stakes," but added that "we don't want to have a clash."

Sir Leon pleaded to ministers not to tie his hands in the complex negotiations running up to the Gatt mid-December deadline. He is due to meet Mr Mickey Kantor, US trade representative, on September 27.

There was broad agreement last night that France would not force a vote on Blair House, or seek to saddle the Commission with a formal mandate to renegotiate Blair House.

EC's row over farm trade, Page 6

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UK warship hosts fresh Bosnia talks

By Gillian Tett in London and Laura Silber in Pale, Bosnia

THE THREE Bosnian factions were yesterday locked in secretive meetings on board a British naval vessel, as international mediators made a last-minute attempt to overcome obstacles to a Bosnian peace deal, due to be signed in Sarajevo today.

Representatives from all three sides, including Bosnian President Alija Izetbegovic, Croatian President Franjo Tudjman and the Bosnian Croat leader, Mr Mate Boban, held talks with Lord Owen and Mr Thevald Stoltenberg, the international mediators, on board the aircraft carrier, HMS Invincible, in the Adriatic sea.

Bosnian Serb officials in Pale, the capital of the self-styled Bosnian Serb state, yesterday said that the Serb side was represented by Mr Radovan Karadzic, the Bosnian Serb leader.

The meeting, said to have been called at the mediators' request, appeared to mark a final attempt to overcome remaining territorial disputes, in particular the Bosnian governments' demand for access to the Adriatic.

The three sides are expected to meet in Sarajevo today to sign a broad agreement which would turn Bosnia into a loose union of three ethnic mini-states. However, after all three sides indicated at the weekend that they remained opposed to any fresh territorial concessions, Lord Owen yesterday warned that the meeting was still not definite. The mediators now appear to be pushing the three sides to agree to an outline agreement, leaving some of the territorial details to be decided at a later date.

But in spite of the sudden ceasefire agreements conducted between the Bosnian government and their Serb and Croat counterparts last week, the sticking points to a peace agreement remain the Bosnian

The National Bank of Yugoslavia is to issue a 10bn dinar note to replace currency made almost worthless by a devastating daily inflation rate of 30 per cent. Reuters reports from Belgrade.

The new white, black and red note will be issued today, the Belgrade-based news agency Tanjug quoted central bank officials as saying. It is worth 96 on Belgrade's foreign currency black market.

This will be the third new banknote issued in a month, each with more and more zeroes to it. In mid-August the bank issued a 500m dinar note then worth \$3.50 and now worth 30 US cents.

government's demand for further land and access to the sea.

Diplomats yesterday said the mediators' decision to call the meeting on the ship appeared to be an attempt to escape the media spotlight and increase pressure on the three sides.

"The thing about meeting on a ship is that you can't suddenly storm out," commented one British official yesterday.

Fighting was reported to be continuing between Moslem and Croat forces in parts of central Bosnia in defiance of the ceasefire agreed last week.

A Bosnian Croat said Moslem forces had launched a three-pronged attack on the city of Mostar. UN peacekeepers in central Bosnia said that earlier fighting between Moslem and Croat forces around Vitez and Gornji Vakuf appeared to be dying down.

● Russia may be unwilling to send extra troops to help enforce a peace agreement in Bosnia, General Pavel Grachev, its defence minister, has indicated, writes David White in Moscow.

Mr Malcolm Rifkind, British defence secretary, said General Grachev made clear in talks yesterday that he was not contemplating an increase.

Ex-communist who won over the Poles

By Tony Robinson in Warsaw

MR Alexander Kwasniewski, the leader of Poland's neo-communist Left Democratic Alliance (SLD), is the kind of man you probably would buy a used car from.

But it clearly takes more than a smooth line in political patter to persuade more than 3m Poles to cast their vote for a spruced up model which was effectively scrapped in elections only four years ago.

At that time Mr Kwasniewski was an aide to Mr Mieczyslaw Rakowski, Poland's last communist prime

minister. He played an important role in hammering out the details of the "round table agreement" with Solidarity which led to the partially free elections in June 1989.

Designed to ensure continuing communist domination of the lower house of parliament, the agreement blew up in the communists' face when Solidarity made a clean sweep of all the seats in the senate and the limited number of seats allocated to non-communist parties in the lower house.

But yesterday Mr Kwasniewski, 39 years old, was busy putting out feelers for a

grand coalition. If it comes off the SLD, by far the largest party of the new parliament, would sit in alliance with at least one of the three Solidarity-era parties which managed to pass over the 5 per cent entry hurdle. That would seal an extraordinary reversal of political fates in only four years. Even Mr Kwasniewski, whose reputation for strategic smartness and political class soared during the election campaign, has been taken by surprise.

Over a press dinner in one of Warsaw's smartest restaurants last week he explained how

the most optimistic of the young ex-communists who put together the SLD from the ruins of the defunct communist party in 1990 thought it would be 10 or 15 years before it gained acceptance as a mainstream, European, social democratic party.

But after a spell in a coalition, Mr Kwasniewski, like Willy Brandt of Germany's social democrats, or more appropriately Spain's Felipe Gonzalez, could take his SLD into power across the generational gap which Solidarity, with its ageing, squabbling leaders, failed to achieve.

Polish elections

Lower house: 480 seats

Results forecast*

Party	% of vote**	Seats	1991 vote and seats
Left Democratic Alliance (SLD)	20.6	173	12.0%/48
Polish Peasants Party (PSL)	15.2	128	8.7%/49
Democratic Union (UD)	10.5	69	12.3%/57
Union of Labour (UP)	7.3	42	5.0%/28
Confederation for an Independent Poland (KPN)	5.7	24	7.5%/46
Non-party Movement for Supporting Reform (BSWR)	5.4	20	—

*Partial official results and Polish television forecast. **Parties with less than 5 per cent of the vote cannot hold seats. *Party did not exist.

Warsaw sends reform warning eastwards

The Polish economy had hitherto been a source of encouragement, writes Anthony Robinson

THE ELECTORAL victory of the two political parties with their roots in Poland's communist past imparts a new and negative spin to the country's track record as the harbinger of change in a volatile region.

It was Polish economists, led by Mr Leszek Balcerowicz, working closely with US academic advisers such as Harvard professor Jeffrey Sachs, who pioneered "shock therapy" economic reforms in eastern Europe four years ago.

After taking the medicine, Poland became the first country to plunge into recession in 1990 and the first to resume economic growth two years later. Now, as the election results have made clear, Poles have become the first to register a strong political protest against the social and economic costs of the painful transition to a market economy.

The resurgence of Poland's neo-communists could change not only the political map of Poland but send shudders throughout the former Soviet empire.

In Hungary, the conservative coalition, which has introduced market reforms that have attracted more than \$5bn (£3.2bn) in foreign investment, faces a similar backlash. In Budapest, the xenophobic nationalist right, led by Mr Istvan Csorba, has been making the headlines. But the reformed communists, led by Mr Gulya Horn, have also been



Leader of the ex-communist SLD Alexander Kwasniewski (right) and deputy Izabela Sierakowska

vying to take votes away from the centre parties, including the youthful Fidesz party.

Only the Czech republic has been able to produce a leader with the tenacity to argue the pro-market reform case tirelessly and clearly, both in speeches and through his weekly column in a popular newspaper. Mr Vaclav Klaus, a passionate advocate of privatisation.

The promise of Poland's neo-

communists to square the circle of reform without pain is clearly gaining credence. Lithuania, Poland's north-eastern neighbour, sent out the first warning signal six months ago when this former Soviet Baltic state re-elected the new-style communists to power.

Until now, the success of Poland's economic reforms, measured by well-stocked shops, rapidly rising industrial growth and labour productiv-

ity, a growing inflow of foreign capital, declining inflation and a successful switch to western markets after the collapse of Comecon, has been a great source of encouragement to the embattled pro-market reformers in the former Soviet states.

The positive results of Poland's adherence to tight spending and budget deficit targets, imposed by the International Monetary Fund, helped the small band of Rus-

sian reform economists to persuade President Boris Yeltsin to support their efforts to stabilise the economy.

The Polish experience thus gave substance to the intellectual arguments of those in Russia who favoured rapid economic reform.

It helped them overcome the siren songs of powerful men from the factory nomenklatura elite who argued that it was impossible for the heavily-militarised Soviet command economy to be transformed into a functioning market economy in a hurry.

The trump card of the go-slow brigade was, and remains, the argument that the social costs of high unemployment and declining living standards would make such change politically impossible and raise the risk of a possibly bloody revolt.

This argument echoed through the 10-week-long Polish election campaign with subtle but important differences. Mr Alexander Kwasniewski, the 39-year-old leader of Poland's Left Democratic Alliance (SLD), does not argue against the basic thrust of the economic reform strategy introduced by Mr Balcerowicz, nor does he ignore the benefits of IMF and World Bank supervision or the need to continue privatisation.

Under its pragmatic new leaders, the SLD presented itself to the electorate as the party best able to guarantee the continuation of economic

THE FINANCIAL TIMES
Published by The Financial Times
(Europe) GmbH, Nibelungenplatz 3,
60318 Frankfurt am Main, Germany.
Telephone ++49 69 156 850, Fax ++49
69 596481, Telex 416193. Represented
by Edward Hingo, Managing Director.
Printer: DVM Druck-Vertrieb und
Marketing GmbH, Admiral-Rosenkohl-
Strasse 34, 63363 Neu-Isenburg (owned
by Hürthgen International).
Responsible Editor: Richard Lambert.
© The Financial Times Limited.
Number One Southwark Bridge,
London SE1 9HL, UK. Shareholders of
the Financial Times (Europe) GmbH
are: The Financial Times (Europe) Ltd,
London and F.T. (Germany)
Advertising Ltd, London. Shareholder
of the above mentioned two companies
is: The Financial Times Limited,
Number One Southwark Bridge,
London SE1 9HL. The Company is
incorporated under the laws of England
and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue
de Rivoli, F-75044 Paris Cedex 01.
Telephone (01) 4297-0621, Fax (01)
4297-0622, Printer: S.A. Nord Edito,
15/21 Rue de Clichy, F-93100 Rosbaix.
Codex 1. Editor: Richard Lambert.
ISSN: ISSN 1148-2753. Commission
Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd,
Vimmelskæftet 42A, DK-1161
Copenhagen K, Telephone 33 13 44 41,
Fax 33 93 53 35.

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Throughout his exceptional lifetime from apprentice to Deputy Chairman of Daimler-Benz AG and President
and Chief Executive Officer of Mercedes-Benz AG, he dedicated himself wholeheartedly to the company and its employees.

His zest for life, enthusiasm and his power of persuasion will live on in his achievements,
which have shaped the company for and which he will be remembered.

We are very grateful to him.

The Supervisory Board, Board of Management, Works Council, Senior Management Committee and employees of Daimler-Benz AG
and Mercedes-Benz AG on behalf also of the corporate units AEG, DASA, debis.

Stuttgart, September 13, 1993.

The funeral service will be attended by close friends and relatives.

Poll shows majority would now vote against treaty

French oppose Maastricht

By David Buchan in Paris

A MAJORITY of French - 54 per cent - would now vote against the Maastricht treaty, according to an opinion poll published yesterday, exactly one year after the referendum that gave the European union pact a 1.1 per cent margin of approval.

The Sofres poll, conducted for Le Figaro newspaper and Europe 1 radio station, has sombre implications for France's ruling coalition parties and their unity in European and presidential elections

in the next two years.

The survey shows the French split on Europe as an other issues like unemployment, between what most of them expect to happen and what most of them want to happen. Thus, 79 per cent expect their government will press on with European construction. But the share of those who believe this will benefit France has dropped over the past year from 41 to 33 per cent.

A plurality - 46 per cent - want "a pause" in European integration, a sentiment

related probably to the fact that 42 per cent say they would prefer the franc to float free of the D-Mark in order to refloat the economy, as opposed to 39 per cent whose priority is still a strong franc as France's passport in European monetary union.

The poll highlights the problem for Mr Edouard Balladur, the pro-European premier, leading a coalition of his own RPR, Gaullist party which remains almost two-thirds against Maastricht and of the centre-right UDF whose majority still backs Maastricht. If, in

next June's European parliament elections, this division is reflected in two separate electoral lists (roughly along RPR and UDF lines), it may tear Mr Balladur's government apart.

So far, the polls only show disenchantment with certain Balladur policies, not with Mr Balladur himself. But France's increased discontent with Europe is likely to further the chances of Mr Jacques Chirac, the Euro-sceptical leader of the RPR, securing not only his party's presidential nomination, but also the presidential election itself in 1995.

Drop in car sales slows

By Kevin Done, Motor Industry Correspondent

WEST European new car sales have posted their smallest monthly decline this year, slipping only 1.5 per cent in August to an estimated 1.03m.

However, the European new car market is distorted in August by the UK, where 20 to 25 per cent of annual new car registrations take place in the period. The UK is also the only market in west Europe where sales have been growing this year, albeit from a depressed level.

UK new car sales in the month were 17.8 per cent higher than a year ago at 440,000, and accounted for 43 per cent of the west European market.

Excluding the UK, new car sales in west Europe were still 12.2 per cent lower than a year ago. The rate of decline moderated in some markets, notably in Germany and Spain, while sales were higher in the Netherlands, Norway, Denmark and Austria.

New car sales in August were lower than a year ago in 12 of 17 markets across west Europe, while in the first eight months sales were lower than a year ago in 16 of 17 markets,

WEST EUROPEAN NEW CAR REGISTRATIONS January-August 1993

	Volume (Units)	Volume Change (%)	Share (%) Jan-Aug 93	Share (%) Jan-Aug 92
TOTAL MARKET	8,085,000	-15.9	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl Audi, SEAT & Skoda)	1,303,000	-21.3	16.2	17.3
General Motors (Opel/Vauxhall, USF & Saab)	1,041,000	-11.5	13.0	12.3
Opel/Vauxhall	1,004,000	-10.7	12.5	11.8
Saab	847,000	-27.8	0.3	0.4
PSA Peugeot Citroën	975,000	-15.3	12.1	12.1
Renault-Volvo	984,000	-18.1	12.0	12.0
Renault	847,000	-15.5	10.5	10.5
Volvo	117,000	-20.4	1.5	1.5
Ford (Europe, USF & Jaguar)	952,000	-15.1	11.8	11.7
Ford Europe	943,000	-15.2	11.7	11.8
Jaguar	8,000	+0.1	0.1	0.1
Fiat (incl Lancia, Alfa Romeo, Ferrari Innocenti, Maserati)	893,000	-22.3	11.1	12.0
Nissan	286,000	-7.5	3.6	3.2
BMW	282,000	-17.3	3.3	3.3
Rover	250,000	+12.6	3.1	2.3
Toyota	226,000	-1.0	2.8	2.4
Mercedes-Benz	228,000	-23.2	2.8	3.1
Mazda	143,000	-26.9	1.8	2.0
Honda	113,000	-12.4	1.4	1.3
Mitsubishi	102,000	-12.0	1.3	1.2
Total Japanese	1,002,000	-11.2	12.5	11.8
MARKETS:				
Germany	2,223,000	-19.8	27.7	29.0
Italy	1,317,000	-28.1	16.4	17.9
United Kingdom	1,315,000	+11.8	16.4	12.3
France	1,131,000	-17.3	14.1	14.3
Spain	515,000	-26.0	6.4	7.3

Source: industry estimates. *UK sales 10 per cent and management control of Opel/Vauxhall. **UK sales 10 per cent and management control of Opel/Vauxhall. ***UK sales 10 per cent and management control of Opel/Vauxhall.

Kohl and Çiller set up talks

By Ariane Genillard in Bonn

GERMAN Chancellor Helmut Kohl and Turkish premier Tansu Çiller yesterday agreed to set up a committee to discuss neo-Nazi attacks and citizenship rights for Germany's large Turkish minority.

The Turkish government is known to favour the introduction of dual citizenship for the 1.8m Turks permanently residing in the country. But Mr Kohl's Christian Democratic Union (CDU), together with its conservative Bavarian ally, the Christian Social Union (CSU), want instead to slightly ease access to German citizenship, which Turks can only obtain if they give up their own passports.

Local Turkish organisations yesterday said the committee would probably do little to help the integration of Turks who have been regular targets of racist violence.

Ms Çiller is expected to further discuss ways in which Turks in Germany could receive political rights as she meets Mr Klaus Kinkel, the foreign minister, today and a member of the Free Democrats (FDP). The Turkish premier is also due to meet business leaders.

Works council flexibility urged

By David Goodhart, Labour Editor

THE European employers body, Unice, yesterday accepted the inevitability of European Community legislation on employee consultation and pressed for greater flexibility than contained in the existing works council directive.

The works councils for employee consultation could be one of the first directives to be pushed through the social chapter mechanism of the

Maastricht treaty which excludes the UK.

The directive will require up to 1,200 multinationals operating in the EC to convene works councils at least once a year.

Yesterday Mr Zygmunt Tyszkiewicz, secretary general of Unice, said the social partners - unions and employers - should work together with the EC Commission to find an acceptable alternative to the current draft directive. He said: "The directive as it stands will not achieve its

stated objective, which is to improve the information and consultation of workers. However Unice is ready to sit down with the Commission and European unions to develop a positive and constructive procedure that is acceptable to all parties."

Unice, including the Confederation of British Industry, is now ready to accept some legal underpinning to achieve the ends of European-wide employee consultation but insists on greater flexibility

with regard to the means.

At the same Brussels meeting the multinational business forum launched a report, "Thriving on diversity", which seeks to illustrate benefits of a range of consultation methods. The report argues there is little difference in the provision of strategic and financial data between countries such as Germany where there are extensive rights to employee information and countries such as the UK where there are no legal provisions.

Spain cuts reserve cash requirement

By Tom Burns in Madrid

THE BANK of Spain yesterday cut the reserve cash requirement it imposes on the banking sector from 3 per cent to 2 per cent, thus freeing some Ptas440bn (£2.2bn) of deposits that had been trapped, interest free, with the bank authority.

The cut, which brings the domestic banking sector closer in line with Europe, follows a half a point cut to 10 per cent in the bank's key intervention rate at the beginning of this month. It should enable the private banks and saving institutions to lower the cost of borrowing.

It will also reduce pressure on the interbank market where the bank has been forced to increase sharply the volume of its routine financing to credit institutions. Liquidity on the interbank market has been very narrow. Currency uncertainties have left the institutions short of pesetas and the strong demand for funding has hampered the central bank's

monetary policy.

Potential income from the funds freed by the latest cut represents nearly 4 per cent of the total pre-tax profit of domestic banks last year. However the impact of the cut on this year's bank results should be more muted because the sector, although under pressure to increase its lending, is nervous of increasing bad debts.

"The gain for the banks is that they will be able to use the new funds to lower their lending while keeping their balance sheets undamaged," said Mr José Manuel Arrola, banking analyst of the Madrid securities house, AB Asesores.

Several of Spain's financial institutions have in recent weeks cut their preferential lending rates to below 10 per cent but they have maintained credit for all but top clients at a minimum of about 16.5 per cent. In August non-performing loans grew by some Ptas30bn to account for 7.4 per cent of all loan portfolios.

Oslo may have to vote again

VOTERS in Oslo may have to go to the polls again after a computer failure in last week's general election. Renter reports from Oslo.

But officials said that any rerun was unlikely to weaken the ruling Labour Party's grip on power.

Oslo's electoral committee said a study of the September 13 election, when the computer crashed after an overload, turned up irregularities which meant it could not recommend that parliament accept the result of the vote in Oslo.

"We don't think the result and the mistakes which have been discovered affect the share-out of seats (in parliament), but there were so many mistakes that it makes it difficult to approve," Oslo's mayor, Ms Ann-Marit Saebønes, said. A final decision on whether to rerun the election in Oslo, which elects 15 of 165 seats in parliament, will be taken by the new parliament on October 8.

Italy party accused over tax

By Robert Graham in Rome

ITALY'S Party of the Democratic Left (PDS) has been embarrassed by revelations that it failed to declare some L400m (\$260,000) to the tax authorities on a property deal.

The discovery led to the imprisonment over the weekend of Mr Marco Fredda, in charge of property at the PDS, and Mr Primo Greganti, a former official of the party when it was the Italian Communist Party (PCI).

This is the first time the PDS is accused of being involved in illicit party financing. PDS officials have insisted no illegal party financing is at stake like that of the other main parties.

However, the admission the party had knowingly kept funds which should have been declared to the tax authorities has shown the PDS as anxious to the rest to maximise its revenues.

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NEWS: EUROPE AND INTERNATIONAL

Japan likely to cut interest rates from 2.5% low

By William Dawkins in Tokyo and George Graham in Washington

THE JAPANESE central bank is expected to cut its main lending rate by at least half a percentage point today, in the latest attempt to pull the economy out of recession.

The cut in the official discount rate, from the already record low of 2.5 per cent which has held for the past eight months, was predicted yesterday by NHK public television, a normally reliable forecaster of official rate changes.

Bank of Japan officials refused to comment. But a senior government official said he would not be surprised if the long-expected rate cut happened today, assuming the central bank followed its usual line of

timing rate changes for maximum psychological impact.

Domestic and international pressure for a cut in interest rates has been rising in line with a stream of gloomy economic indicators. Gross national product fell an annualised 2 per cent in the three months to June and is probably declining in the current quarter, so putting Japan into recession.

If the central bank does move as expected, this should relieve some of the disappointment that met a government pump-priming package of deregulation, measures to pass on the benefits of the high yen to consumers and ¥6,150bn (£380m) of public spending announced last week. It included neither a rate cut nor reductions in income tax, as demanded by Japanese industry.

Possible tax cuts, a politically divisive issue, are being studied by a government panel.

A senior international Monetary Fund official welcomed the package but said recent economic data were so disappointing that more budgetary and monetary action could well be needed. A "strong cocktail" of fiscal and monetary stimulus should be considered, he said. The US has also urged Japan to make income tax cuts, say Japanese officials.

Yet the Bank of Japan has been cautious about cutting rates partly because it wants to avoid repeating the liquidity-fuelled rise in asset prices that preceded the downturn and partly because it believes industry needs to cut more capacity.

Nevertheless, the bank cut the official discount rate three times in

1991, twice last year and once last February, from 3.25 per cent to 2.5 per cent.

A rate cut is like to have a psychological impact and help restrain the yen's rise, but will not bring a marked cut in companies' borrowing costs, said analysts. If the discount rate does come down today, commercial banks are expected to drop their prime rates on October 1, in line with previous practice. However, a decreasing number of banks maintain a tight link between prime and actual lending rates because of the pressure on margins from the need for heavy bad debt provisions.

Emiko Terazono adds: Japan's residential and commercial land prices have declined for a second consecutive year, the longest fall on record.

According to a land price survey released by the National Land Agency, residential land prices fell by an average 3.6 per cent as of July 1 from a year before, while commercial areas saw a 7.7 per cent decline. The survey, which started in 1975, is likely to prompt an early lifting of the government's "land price monitoring system", aimed to curb price increases in designated areas.

An easing of the monitoring system was included in the coalition government's emergency economic package announced last Thursday. While land prices, especially in cities, remain high relative to income levels for the ordinary Japanese, a further fall could hurt the country's banks, which hold land as collateral for bad loans.

Residential land in the Tokyo area declined 12.3 per cent after a 12.7 per

cent fall last year. Tokyo's central 23 wards saw drops of 20 per cent, with Chuo ward, the business centre, registering a 37.9 per cent decline.

Meanwhile confidence among Japanese consumers declined sharply in August, says Dentsu, the world's largest advertising and marketing agency.

According to a survey, the higher yen, cold summer weather, and increasing reports of corporate restructurings have depressed consumers' outlook on the economy. Last month 37.4 per cent of those surveyed thought the economy would worsen, a sharp jump from 21.8 per cent in July and 21.1 per cent in June. Over 54 per cent said they would curb spending against 43.2 per cent in July.

Iron triangle, Page 14

Assad sees Israel as the only winner

By Roger Matthews

MIDDLE EAST EDITOR

PRESIDENT Hafez al-Assad of Syria has warned that only Israel benefited from last week's outline peace agreement with the Palestine Liberation Organisation.

The president said there was no justification for the secret talks between the PLO and Israel. "In my opinion the PLO has lost, as have the Arabs," he said told the Egyptian newspaper al-Akhbar published yesterday.

Mr Assad stopped short of threatening to oppose the agreement, but said there was nothing he could do to prevent conflict between those who supported it and those who were against it. "If we wanted to oppose the agreement we could have made it fail," he said.

But he added that he had told Mr Yasser Arafat that it was the PLO leader's duty to unite Palestinians in order to avoid the risk of massacres.

He also rejected calls from Mr Yitzhak Rabin, Israel's prime minister, to restrain Palestinian groups based in Damascus from attacking the deal struck by Mr Arafat. "When the West and Israel demands that we silence these groups, we say let Mr Rabin silence the Likud (the right-wing Israeli party which also opposes the agreement)."

Mr Assad, whose relationship with Mr Arafat has been marked by long periods of hostility, said the news of the PLO-Israel agreement had come as a "painful surprise" and he claimed Syria had postponed many critical issues because of the Palestinians. He added he still did not know what the PLO and Israel had agreed, but believed that on every point there needed to be a further agreement.

The Syrian leader's comments underline the urgency felt by the US for there to be swift progress on negotiations between Israel and Damascus for resolving the issue of the Golan Heights.

The 21 members of the Arab League said in a statement from its Cairo headquarters yesterday that the Palestinian-Israeli agreement was "an important first step towards realising the land-for-peace principle."

Arafat bid to calm Jordanian fears

MR Yasser Arafat, chairman of the Palestine Liberation Organisation, flew to Amman yesterday to discuss implications of the Gaza-Jericho accord, James Whittington reports from Amman. Mr Arafat's visit also served as an opportunity to calm fears that Jordan was being excluded from issues affecting Palestinians and the region as a whole.

Despite initial reservations about being left out from the Israeli-PLO negotiations, King Hussein has fully endorsed the Palestinian peace deal. There has, however, been a noticeable shift in policy over the past week from the traditional joint Jordanian-Palestinian stance to one where the kingdom's interests take priority.

Two issues expected to be discussed with Mr Arafat were Jordan's economic relationship with the West Bank, and the future status of the kingdom's Palestinian population who make up over half the population.

The government says it may have to postpone this year's multi-party elections until the status of Palestinians living in the kingdom is clarified. The elections, scheduled for November 8, were to be the first since 1956 in which political parties would campaign.

However, there are fears that the elections may become a referendum on the peace process with Islamist and leftist parties winning votes from those Palestinians who have nothing to gain from the settlement.

Western diplomats express severe reservations about any postponement. "The damage to democracy would be considerable," said one. "Palestinians in Jordan will feel targeted which could prove destabilising," said another.

Jordan's nationalist parties and tribal leaders are especially vocal in their calls for postponing the elections. Head of the nationalist party Al Ahd, Mr Hadi Abdul Majali, who is also the prime minister's brother, argues that either Palestinians who will be allowed to return should relinquish their voting rights or the elections should be postponed.

Leading contractor held in bribes probe

By Robert Thomson in Tokyo

JAPAN'S crackdown on political corruption claimed its most famous corporate victim last night as prosecutors arrested Mr Teruo Yoshino, chairman of Shimizu, the leading Japanese contractor, for the alleged bribery of a provincial governor.

Mr Yoshino, aged 75, denies he provided funds to Mr Fujio Takeuchi, the former governor of Ibaraki prefecture north-east of Tokyo, in the hope that the company would win contracts for a range of planned public works projects.

"No, absolutely not," Mr Yoshino, whose home was raided by investigators, said earlier yesterday. "I would never do anything as silly as attempting to bribe someone."

However, 15 other construction company employees have been arrested in the past year for allegedly providing money

to local government officials, including Mr Takeuchi who is already charged with illegally receiving ¥55m (£345,000) from the industry.

The arrest last night follows the questioning of Mr Takeuchi and, according to the prosecutors, allegedly arises from ¥10m that he claims to have received from Mr Yoshino in December last year.

On Sunday Japan and the US concluded a round of construction market negotiations at which Tokyo was urged to ensure that foreign companies have an opportunity to bid for all public works contracts.

Mr Yoshino, in his role as federation chairman, said earlier yesterday that the request was excessive, and Japan should experiment with a "conditional" open bidding system to replace the present designated bidder system.

The spate of arrests and confessions in the past year have

provided US negotiators with evidence in their attempts to demolish the *dango*, the cartels which allegedly control the awarding of contracts by pre-selecting a winner and ensuring that other bidders put in estimates far higher than the "winner".

However, the allegations against Mr Yoshino reflect the at times fierce competition among Japanese contractors for lucrative provincial contracts, particularly dams, civic centres and universities, all of which were planned in Ibaraki prefecture.

Apart from highlighting the sometimes unsavoury links between politicians and contractors, the investigation has drawn attention to the priorities of provincial governments, alleged to outlay huge sums on unnecessary dams and government buildings, while neglecting less lucrative but more needed projects.

Application for Security Council seat may divide coalition Ambitions at UN scaled back

By William Dawkins in Tokyo

JAPAN, will tone down its campaign for a permanent seat on the UN Security Council when Mr Morihiro Hosokawa, the prime minister, addresses the UN General Assembly next Monday.

Mr Hosokawa is expected to avoid mentioning Security Council membership in a speech he is due to make before the assembly. It is the latest issue to cause divisions in Japan's seven-party coalition and indicates that the coalition could find it hard to stick to its pledge to pursue the same foreign policy as the previous LDP government.

However, in a demonstration of support for UN peacekeeping operations, Tokyo will make a \$196m (£127m) contribution to the peacekeeping budget, said officials.

The Social Democratic party, the largest coalition partner, argues that sending troops overseas contravenes Article

nine of Japan's constitution, which renounces military force to settle international conflicts. At the other extreme, the Japan Renewal party of Mr Ichiro Ozawa, the main power

broker behind the government, believes Japanese troops should take an increasing part in UN peacekeeping in line with the country's attempts to take a more prominent part in international affairs.

The issue has been in the public eye the past week with the return of Japanese peacekeepers from Cambodia at the end of their six-month mission.

Mr Hosokawa, who has avoided taking sides in this, will restrict himself to stressing that Japan will do all it can to support UN reform to pursue peace in the post cold war era, said officials.

This is cautious by comparison with a Japanese official position paper, sent to the UN secretariat in July, in which Tokyo offers to assume all security council duties necessary.

Mr Hosokawa is prepared to compromise with the SDP because the government's top priorities are the reform of Japan's political system - the main item of business on a 90-day extraordinary parliamentary session which began last week - and measures to revive the flagging economy.

"non-government measures" to defuse the issue, which has threatened to overshadow the British premier's four-day visit. Under the UK plan companies such as Mitsubishi and Nissan, which benefited from POW labour during the war, would make voluntary donations to a non-government compensation fund.

However, the offer failed to satisfy the Japanese Labour Camp Survivors' Association, which said it would take legal action unless further progress was made quickly. Mr Martyn Day, a British lawyer representing the association, said in Tokyo that the action would "probably" be launched in Japan following discussions with Japanese lawyers.

After his election yesterday, Mr Murayama said the SDP would continue to support the coalition government and to reform itself. But Mr Ito argued that the unexpectedly large number of votes he received "gives me a strong foundation on which to

fight against political reforms".

While Mr Murayama pledged support for the coalition, he also campaigned against Japan's 3 per cent value added tax, which several other members of the seven-party coalition want to increase to as much as 10 per cent.

The SDP also differs with most of its coalition partners on defence issues, including Japan's quest for a permanent seat on the UN Security Council.

Mr Murayama will be repeatedly torn between his loyalty to SDP policy and the need to hold the coalition together.



Tomichi Murayama: pushed into standing

Social Democrats pick compromise leader

By Robert Thomson in Tokyo

THE SOCIAL Democratic party, the largest group in Japan's coalition government, yesterday chose Mr Tomichi Murayama as its new chairman in an election highlighting party members' unease at their alliance with conservative parties.

Mr Murayama, 69, was backed by most factions within the SDP, formerly the Japan Socialist party, but 33 per cent of members did not vote and 22 per cent of the voters supported a far-left candidate, Mr Masatoshi Ito, who opposes political reforms proposed by the coalition.

Before standing in the

election, Mr Murayama had criticised the reforms, but he has agreed to offer public support for four bills which the coalition government hopes to push through during an extraordinary session of parliament, which began on Friday.

Mr Murayama replaces Mr Sadao Yamahana, who resigned after the SDP's poor showing at a July election, when it lost votes to newer parties and saw its representation cut from 134 to 70 in the lower house of parliament.

Since the election, party members have disagreed over whether traditional left-leaning policies, including

support for totalitarian North Korea, should be replaced or whether the party was losing supporters because of the move towards the middle ground.

Mr Murayama was a compromise candidate who had not planned to stand for the leadership until pushed by more pragmatic leaders, who feared that a candidate too closely linked to the pro-reform group of Mr Yamahana could lose.

However, Mr Murayama had joined a pro-reform group in 1972, when he opposed the attempts by the far left to take control of policy-making. The son of a fisherman, he was elected to local government

after serving as a representative of a fishing co-operative in the south of Japan.

He has chaired study groups which have defended Japan's ban on rice imports and his links to fishing co-operatives mean that he will be under pressure to take a stand against other proposals to liberalise food imports.

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Mr Murayama will be repeatedly torn between his loyalty to SDP policy and the need to hold the coalition together.

NEWS IN BRIEF

Turning point for UN, says Boutros

THE PROCLAIMED renaissance of the United Nations after the end of the cold war may lack reality and the organisation remains at a turning point, according to Mr Boutros Boutros Ghali, the secretary general, writes Michael Littlejohns in New York.

In the introduction to his annual report to the general assembly, which begins a new session today, he criticised members that pushed UN troops into conflicts "where major powers are not willing to venture themselves."

At the same time, the UN was struggling to deal with problems of the poorest states in which rich nations were no longer so interested now that decades of ideological competition for their votes were at an end.

Russia postpones bank vote

The Russian parliament has postponed until further notice a final vote on whether to ban foreign banks based in Russia from dealing with Russian customers, Mr Pavel Medvedev, chairman of the Russian parliament's banking sub-committee, said yesterday. Leyla Boulton writes from Moscow.

Mr Medvedev said an increasing number of deputies supported his behind-the-scenes efforts to get parliament to drop its proposed ban, which it had been expected to examine last Friday. The proposed restrictions first appeared in parliament as a result of lobbying by Russian commercial banks seeking protection from foreign competition, but has been opposed by the government, central bank, and Mr Medvedev's sub-committee.

Austria rules on accounts

The Austrian government, which is attempting to improve the credibility of its capital markets, will outlaw the use of anonymous bank accounts for securities transactions, Ian Rodger reports from Vienna.

Mr Ferdinand Lacina, the Austrian finance minister, said in an interview that the ban would become effective before the end of the year.

The widespread use of anonymous accounts for securities transactions has long been a source of frustration for Austrian capital market authorities.

Expatriates to invest in India

A group of expatriate Indian businessmen led by Mr Srichand Hinduja, head of the Hinduja international trading combine, plans to raise more than \$1bn (£600m) for investment in India, Stefan Wagstyl writes from New Delhi.

Mr Hinduja, whose family comes from the province of Sindh, in present-day Pakistan, is raising the money from among fellow Sindhis living around the world. They plan to invest in a commercial bank, a mutual fund, an insurance business, in television and in publishing. They also propose setting up a charity for distributing a portion of their profits in India.

Calls to liberalise industry

By Alan Cane

BUSINESS leaders across Europe would welcome increased competition, especially in the telecommunications sector, but most believe they are unable to persuade their governments to accelerate liberalisation.

This is the principal finding of a survey carried out by Harris Research on behalf of British Telecom of the UK which examined attitudes to liberalisation in eight continental European countries.

The business leaders believe increased liberalisation of telecommunications would cut costs, increase efficiency and improve quality of service.

Britain has the most competitive telecommunications market in Europe and BT has been pressing for a speeding up of the liberalisation process in other countries.

Some 60 per cent of the senior business people consulted chose telecommunications as the industry they would like to see liberalised.

The survey shows that almost three-quarters of large companies are prepared to consider changing their telecommunications suppliers and believe that doing so would not expose their businesses to unnecessary risk.

The greatest resistance to change came from France and Sweden where only about one-fifth of business people showed a willingness to change supplier; 94 per cent of Italians, on the other hand, said they would be happy to go to an alternative supplier.

However, companies were virtually unanimous in lacking confidence in their ability to influence their national governments to accelerate liberalisation.

Papandreou opens campaign

By Kerin Hope in Athens

MR Andreas Papandreou, the Greek opposition leader, has opened his election campaign with the old-fashioned political rhetoric his supporters like to hear.

He promised to raise living standards and provide full employment if his Panhellenic Socialist Movement (Pasek) returns to power at the October 10 general election.

Over 100,000 Pasek supporters crowded the Thessaloniki waterfront at the weekend to hear the former premier speak enthusiastically, if vaguely, of "policies that will lead to development, policies that will provide social protection."

Opinion polls give Pasek a small overall majority in a new electoral law that favours the front-running party. Yet much will depend on Mr Papandreou's ability to convince floating voters he is fit enough to be prime minister again.

There can be no doubting Mr

Papandreou's capacity to make a political comeback. He has survived open-heart surgery, held on to the Pasek leadership despite three successive election defeats, and been acquitted of charges of corruption while in office.

Now 75, he makes few public appearances and his speeches are shorter than they used to be. He keeps a tight grip on Pasek as there is no obvious candidate to challenge him for the leadership.

None of the six personalities mentioned as likely successors to Mr Papandreou seem to command support from all Pasek's factions.

However, Mr Papandreou's reluctance to co-operate with potential rivals means policy is made in a vacuum. Ask a prominent party economist how a socialist government would cope with Greece's widening public sector deficit and the answer is as vague as any of Mr Papandreou's campaign promises.

The conservative New Democracy party's election tactic is to provoke Mr Papandreou into being specific. He



Mr Andreas Papandreou, the Greek opposition leader: his "policies will lead to development"

has given reassurances that he does not intend to devalue the drachma, but refuses to be drawn on how a Pasek government might cover the revenue shortfall that would result from cancelling the privatisation programme.

Still, the socialists say they are committed to steadily reducing inflation and the public sector deficit in order for Greece to achieve economic convergence with the rest of the European Community by the end of the 1990s.

Support for China Olympics bid

By Simon Holberton in Taipei

BUSINESSMEN in Taiwan and Hong Kong believe Beijing should be awarded the Olympics so as further to entrench China's move away from communism.

Businessmen claim the west has an interest in supporting China's current leadership which has committed itself to economic reform and the award of the Olympics would secure the leaders' position.

China's failure to win the 2000 Olympics would also create widespread resentment among Chinese communities outside the mainland.

Many people in Taiwan and Hong Kong see the Olympics as a recognition of Chinese culture and civilisation, not the government in Beijing.

In Taiwan especially, pride in being part of China's civilisation transcends anti-communism and dislike of the current regime. A rebuff by the Inter-

national Olympic Committee, which votes on Thursday, would be seen as just another rejection of China by the west. Disappointment would be further reinforced as Beijing has promised to stage some events in Taiwan and Hong Kong.

It is claimed that Beijing will be more careful in its treatment of Hong Kong and in the wooing of Taiwan with the games than without them.

China has bowed to world pressure by agreeing to a

human rights probe just days before the Olympics decision, the International Federation of Human Rights (FIDH) said yesterday. Renter reports from Paris.

Mr Daniel Jacoby, FIDH president, told a news conference his group had received an invitation to investigate claims of human rights abuse from Chen Xitong, president of the Beijing Olympic Bid Committee, during weekend talks in Monte Carlo.

Assad sees Israel as the only winner

By Roger Matthews, Middle East Editor

SYRIA has warned that it will be defeated from its current position in the peace negotiations with the Palestine Liberation Organisation.

The president said there was no justification for the negotiations between the PLO and Israel, in his opinion the only way to have the peace was to have the PLO and Israel negotiate directly.

Mr Assad stopped short of threatening to oppose a settlement, but said there was nothing he could do to prevent the negotiations between the PLO and Israel.

He added that if the negotiations failed, he would support the PLO leader's call for the PLO to resume its armed struggle against Israel.

Mr Assad also rejected calls by some ministers to restrict Syrian groups from attacking Israel.

He said the West and the United States were silent about the situation in the Middle East, and he said he would let Mr Assad know the situation in the Middle East.

Mr Assad, whose role in the Arab world has been described by long periods of silence, said the new PLO-Israel agreement was a painful step towards peace.

He said many critics of the agreement had said that the PLO did not want to negotiate with Israel, but he said the PLO did not believe in the agreement.

Mr Assad's remarks came in a speech to the Syrian parliament, in which he said the US far from supporting the peace process, was trying to prevent it.

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Arafat bid to calm Jordanian fears

YASSIR Arafat, chairman of the PLO, has urged the Jordanian government to calm fears that the PLO might be a threat to the country's stability.

Mr Arafat said in a speech to the Jordanian parliament that the PLO was not a threat to Jordan, and he said he would let Mr Arafat know the situation in the Middle East.

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"...one of the most intelligent automobile inventions in the last 10 years." —*Il Giorno*



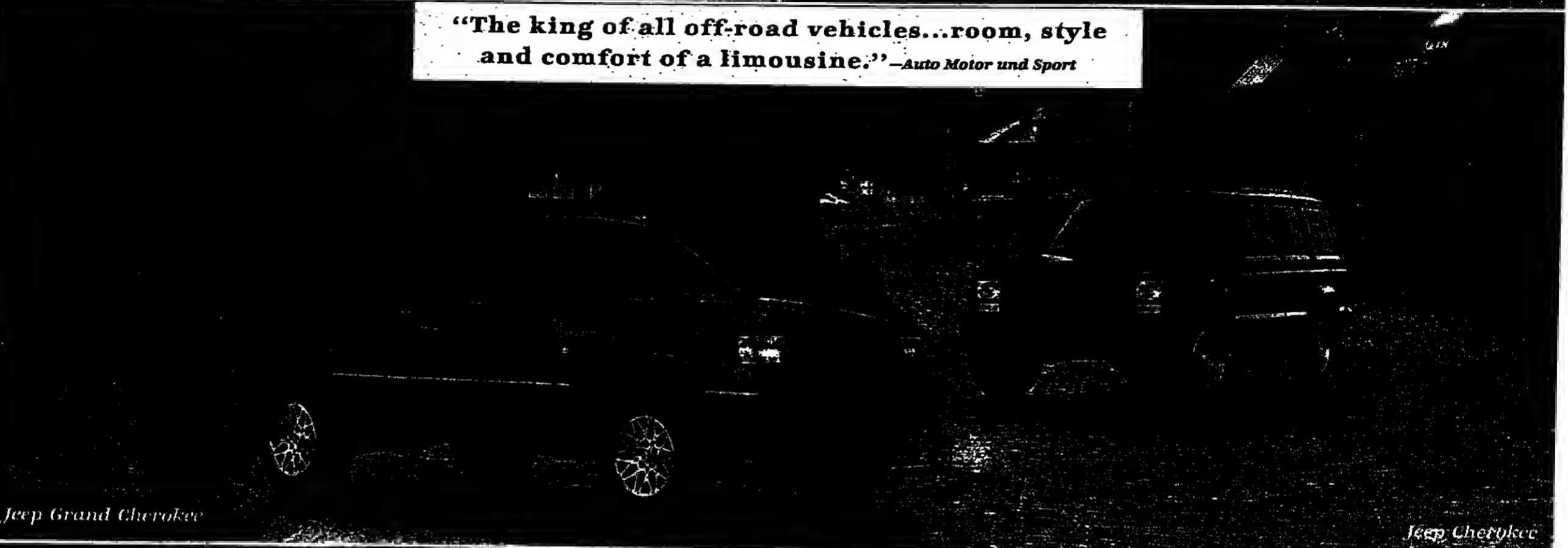
Chrysler Voyager

"Outrageous car...driving the Viper is a great experience." —*Financial Times*



Chrysler Viper RT 10

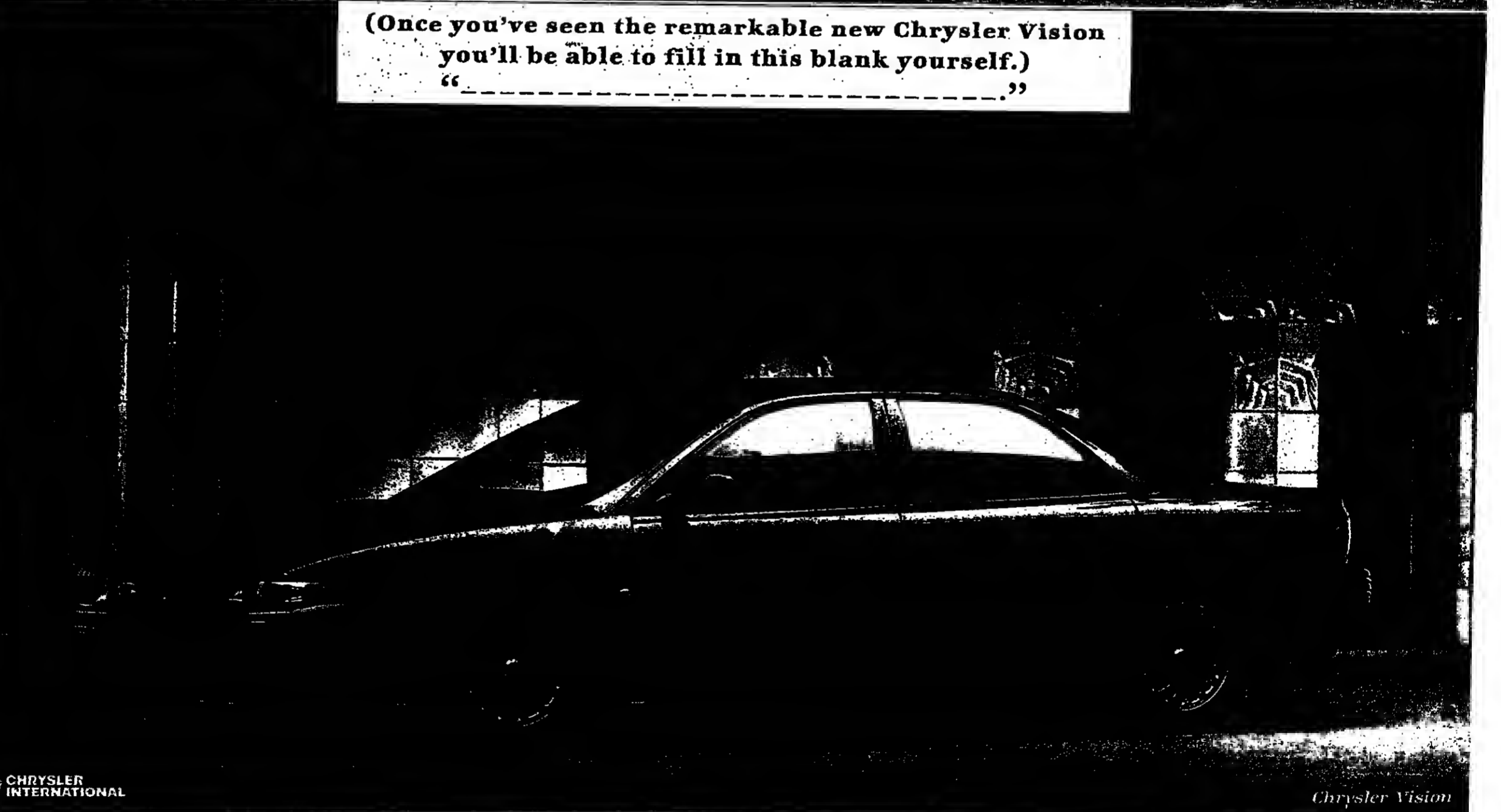
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Jeep Grand Cherokee

Jeep Cherokee

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"_____"



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NEWS: WORLD TRADE

EC's row over farm trade hits tariff talks

By Frances Williams in Geneva

THE THREAT to the Uruguay Round of world trade talks posed by French resistance to last year's US-EC farm trade pact is having an adverse impact on vital multilateral talks in Geneva designed to lower tariffs on industrial and agricultural goods.

At a stocktaking meeting last Friday, a number of countries expressed concerns that the negotiations were being impeded by the continuing row within the EC over the Blair House accord. Although intensive talks are continuing, aimed at cutting overall tariffs by at least a third, countries are unwilling to come forward with further concessions while the row is unresolved.

Community officials have been unable to convince trad-

ing partners that they should bargain seriously on the basis of an EC market-access offer for farm goods that derives from the Blair House deal.

Failure to make progress soon could delay the tariff negotiations which, with parallel talks on market-opening measures for services, are an integral part of the Uruguay Round package. The Round must be completed by December 15, when US fast-track negotiating authority expires.

For agricultural exporting countries, liberalisation of farm trade is the key to successful completion of the Round and there is strong opposition to any watering down of the Blair House accord. This was stressed last Friday, both in Geneva and in Montevideo, where the Rio Group of Latin American



Constantin Heereman (right), chief of the German farmers' union, confers with Luc Guyan, representing French farmers, at the start of agricultural talks in Brussels yesterday

nations said they needed better market-access terms for their agricultural goods if the final Uruguay Round package was to be acceptable.

Developing countries also repeated complaints in Geneva on Friday that the tariff-cutting deal negotiated by the "Quad nations" (the US, EC, Japan and Canada) in Tokyo in

July did not meet their concerns in such areas as textiles, tropical products and natural resource-based products.

The situation looks more promising for services, where a stocktaking meeting yesterday reported progress in finalising the draft framework agreement laying down rules for services liberalisation. However, trade

officials say they do not expect the issue of audio-visual services, in which the US is pitted against the EC, to be resolved at this stage.

The EC wishes to preserve its freedom to restrict the showing of non-European TV programmes and to continue support for European film makers.

Japan 'to open rice market by year-end'

By Kevin Brown, Political Correspondent, in Tokyo

JAPAN is likely to liberalise its controlled rice market in time to allow completion of the Uruguay Round negotiations by a December 15 deadline, Mr John Major, the British prime minister, indicated after talks in Tokyo yesterday.

Mr Major, who is on a four-day visit to Japan, said Mr Morihiro Hosokawa, the Japanese prime minister, had agreed during two hours of talks that completion of the Round was "crucial" for world trade.

"We share the determination that it should be concluded by December 15," Mr Major said. "We agreed that immense damage would be done to international confidence and trade were there not to be an agreement in the Uruguay Round."

Mr Hosokawa said he and Mr Major had "mutually reaffirmed" the need for countries facing "difficult" agricultural problems to overcome these differences.

British officials refused to expand on Mr Major's remarks. However, Mr Hosokawa is thought to have given a private assurance that Japan will move quickly to ensure that rice does not constitute a last-minute hurdle for the talks.

Japan has come under increasing pressure from the US and members of the 14-strong Cairns Group of agricultural exporting nations, chaired by Australia.

The issue of Japan's closed rice market has been in abeyance because of the controversy in Europe over French opposition to the Blair House agreement between the US and the EC on agricultural trade.

However, Tokyo is aware that world attention will shift to the rice market if it becomes clear that the Blair House agreement will survive.

Mr Major said he had relayed to Mr Hosokawa Britain's strong opposition to French demands for a renegotiation of Blair House.

Carmakers in Japan feel trade strains

By Michio Nakamoto in Tokyo and agencies

JAPANESE carmakers are showing increasing signs of the strains of trade friction with the US.

Mitsubishi Motors said yesterday it was studying the possibility of selling in Japan a new car developed by Chrysler, called the Neon, reflecting the pressure on manufacturers to help the cause of the US car industry there.

The US wants Japanese carmakers to buy more US-manufactured parts and help sell US cars in Japan. Automotive trade comprises about 37 per cent of Japan's trade surplus with the US, according to the US Department of Commerce.

As part of voluntary efforts to help rectify this imbalance the Japanese manufacturers have indicated they are willing to buy \$18bn (£12.3bn) worth of US car parts in fiscal 1994.

Mitsubishi, which is also considering the possibility of selling Chrysler's popular LH car in Japan, has said it would import 6,000 cars from the US in fiscal 1995. This compares with 540 cars it imported from its Diamond Star Motors facility in the US, which was a joint venture with Chrysler until the US company pulled out in October 1991.

Mitsubishi said it was studying what the target market for the Neon might be and which of its distribution channels it might sell the car through.

The Neon, which was launched by Chrysler in Frankfurt earlier this month and is scheduled to go on sale in the US in January, was developed by the US company to compete in style, size, quality and price against Japanese vehicles. Its planned US price tag of less than \$10,000 is already sending tremors through the Japanese car industry.

If the Neon lives up to its reputation it could deliver a heavy blow to the Japanese car industry, already reeling under the effects of the rapid surge in the yen's value against the dollar. This is hurting the competitiveness of Japanese car-

makers and forcing them to review global strategies, from manufacturing to exports and pricing.

The currency movement is also forcing most Japanese car manufacturers to raise prices in the US, with Mitsubishi vehicles increasing by an average 8.4 per cent, Nissan by 5.2 per cent and Toyota by 3.9 per cent for 1994 models.

Meanwhile, Honda has decided to shift manufacturing of most of its popular Civic and Accord models sold in the US to North America.

The company said manufacturing of the Civic, which sells about 20,000 models in North America, would be shifted from next spring and that of the Accord, which sells 80,000 vehicles, from April 1996.

The move is part of the company's plans to strengthen manufacturing in North America to avoid the worst effects of currency fluctuations.

The US is already a significant export base for Honda, last year it exported 55,000 cars from the US to the rest of the world.

While other Japanese carmakers would like to follow Honda's lead, most are constrained by domestic considerations, such as the need to use capacity at new facilities in Japan, maintenance of ties with domestic suppliers and the difficulty of reducing employee levels.

But with Toyota, the largest Japanese carmaker, warning it could make a loss if the yen stays at its current level, Honda could indeed be setting an industry trend.

Mr John Major, the UK prime minister, pointed out in Tokyo on US attempts to force Japan to set specific trade targets in bilateral trade talks. At a news conference Mr Major said: "If you're going to have a free-trading world, it has to operate on a multilateral basis."

The prime minister said he believed trade problems between countries should be resolved in the Gatt forum and not on a bilateral basis, as pursued by the US government.

ABB raises Russia profile

By Andrew Baxter

ASEA BROWN BOVERI, the Swiss-Swedish engineering group, is forming a joint venture with Saturn - a Russian company best known for producing engines for the Sukhoi 27 jet - to manufacture parts for power plants.

The "swords-to-ploughshares" tie-up is one of the most important signed so far between a western company and Russian industry. It is the

first time one of the big western power equipment suppliers has joined forces with a Russian defence company.

The joint venture company, called ABB Unifurbo, is 80 per cent owned by ABB and 20 per cent by Saturn. It will be based at Saturn's plant near Moscow and will initially employ 500 of its 4,000 workers. ABB said the venture would cover engineering, research and development, product development and manufacturing of components.

But The Swiss-Swedish group is discussing other joint ventures in Russia, which could be used for assembly of complete gas turbines. ABB said that by the end of the year it expected to be employing 20,000 people in more than 40 companies in the former Soviet Union and east Europe.

Last month it announced a venture with AvtoVAZ, maker of Lada cars, to produce fans in Russia for the domestic and industrial ventilation market.

Canada base plan for satellite launch

By Bernard Simon in Toronto

A GROUP of Canadian investors plans to revitalise the far-northern grain port of Churchill, Manitoba, by building the world's first privately owned satellite launch centre there.

Akjut Aerospace said it already had funds to complete preliminary engineering studies for the C300m (£120m) project, which involves refurbishing and expanding a disused rocket range.

Churchill is on the western shore of Hudson Bay and best known for polar bears and beluga whales.

The "spaceport" is predicated on a surge in demand for small telecommunications satellites in polar orbits a few hundred miles above the earth. Ms Slohan Mullen, Akjut president, declined to name potential customers.

Among the companies planning communications satellite

networks are Motorola, Iridium, Loral, and Orbital Sciences Corporation.

Churchill is competing for the small-satellite business with launch sites in California, Alaska, Australia, the CIS, Sweden and Norway.

Ms Mullen predicted no more than two polar spaceports will be commercially viable - "whoever gets there first, wins."

Akjut's chairman is Mr George Richardson, a prominent Winnipeg businessman. Its board includes a former chief executive of Telesat Canada, the government's satellite agency, and the head of Bombardier Capital, a finance subsidiary of the Montreal-based transport equipment group. Local aboriginal groups are involved in the project.

Akjut aims to begin satellite launches from Churchill by late-1995. The facility will accommodate rockets with payloads of up to 6,000 pounds.

Tokyo to ease rules on lawyers

By William Dawkins in Tokyo

JAPAN has offered its main trading partners partial satisfaction on long-standing demands to open the heavily regulated Japanese legal profession to foreign practitioners.

The US and the European Community have pressed Japan to ease curbs on foreign lawyers' freedom to work in

one of the world's largest and most lucrative legal markets. The issue is on the agenda of Mr John Major, UK prime minister, now on an official visit to Japan.

Government officials in Tokyo have announced that foreign lawyers will be allowed to run legal firms with Japanese partners, under a plan which is to be presented to

parliament next January.

At present, foreign lawyers in Japan are only allowed to work out of court, based on their own countries' laws. They cannot practice in court work related to Japanese law.

The US and EC claim this is an unfair infringement of free competition. A mere 75 foreign lawyers are registered with the Japanese bar.

NEWS: THE AMERICAS

US may end backing for anti-drug drive in Peru

By Stephen Fidler, recently in the Upper Huallaga Valley

THE US administration has warned the Peruvian government that it may have to end support for anti-narcotics efforts in Peru's main coca-growing zone, US officials said in Washington yesterday.

However, contrary to indications from Lima last week, agents of the US Drugs Enforcement Administration remain conducting coca eradication at the Santa Lucia base in Peru's Upper Huallaga Valley, the officials said.

Uncertainty over US anti-narcotics efforts in Latin America has been intensified by a \$47m (£30.5m) cut by the US Senate appropriations committee in the \$147m budget of the State Department unit running drugs interdiction in Latin America.

The cut will take effect with the start of the new fiscal year next month, if it is confirmed by a joint committee of the Senate and the House of Representatives.

The US also supports air operations in Bolivia, Guatemala, Colombia and Belize from this budget, as well as a sizeable number of other programmes.

The reduction comes as the US administration is reviewing its anti-narcotics policy after serious questions as to the benefits of the US drug effort abroad. US government officials said the review, which should be completed by the end of this month, has led to sharp divisions between US government departments connected with the effort.

A classified National Security Council document, which forms part of the review, con-

cluded, according to the Washington Post, that the Pentagon's \$1.1bn drugs interdiction budget - much of it spent in central America and the Caribbean - has proved largely ineffective in stopping cocaine reaching consumers in the US.

Peru is the largest cultivator of coca in the world, producing two-thirds of this leaf which is raw material for cocaine. The State Department estimates that some 120,000 hectares are under cultivation, over half of these being in the Huallaga Valley north-east of Lima.

Official Peruvian policy is aimed at containing the growth of coca production and increasingly emphasises alternative development for farmers, which includes crop substitution. However, the remoteness of the coca-growing areas and the lack of roads militate against such solutions.



LUCRATIVE LEAVES: Spending cuts by the US administration could be good news for coca farmers in the Andean highlands of South America. In the picture, coca leaves are harvested at a main source of the crop, the Chapare Valley of Bolivia. Picture: Christine Lamb

Tax treaty may spark corporate shake-up

By Andrew Jack

THE US and the Netherlands have approved a draft tax treaty which could prompt restructuring of a number of multinational companies.

The assistant secretary for tax policy at the US Treasury and the director-general for fiscal affairs in the Netherlands have agreed amendments to the US-Dutch tax treaty initiated last December, which clear the way for ratification, possibly by the end of the year.

Even if the one-year grace period permitted by the treaty is invoked, the agreement means that from January 1 1995 US subsidiaries held through companies in the Netherlands will no longer be eligible to take advantage of low tax rates between the two countries.

"A large number of companies may be restructuring, beginning December 31 this year," Mr Bruce Lassman, head of the US tax desk at accountants Ernst & Young, said yesterday.

The revised treaty, negotiated over more than 11 years, imposes tough new criteria for eligibility. Those companies excluded will see US withholding taxes on dividends to Dutch companies rise from 5 per cent to 30 per cent and on interest payments from zero to 30 per cent.

One of the principal reasons for the delay was a clause concerning tax treatment of Swiss branches of Dutch companies, which had not been finalised. Negotiators have now agreed a text, which states the US will impose a 15 per cent withholding tax unless income from Swiss branches is taxed at more than 17.5 per cent.

Correction

In the article "World Bank to raise lending commitments", in the Financial Times of September 20, a reference was made in the first paragraph to the bank's lending commitments of "\$26.9bn in the past year to June 30". This figure should have been \$23.7bn.

Cuts proposed to axe deficit

By George Graham in Washington

PRESIDENT Bill Clinton may have thought his budget battles were over, at least for this year, but two former senators came back to Washington yesterday to sound a trumpet call for more radical measures to eliminate the federal budget deficit entirely by 2000.

Mr Paul Tsongas and Mr Warren Rudman laid out a programme that scrapes virtually every political nerve in the US, proposing means-testing for most social security benefits, severe cuts in the Medicare health plan for the elderly, and a steep increase in petrol taxes.

Mr Tsongas and Mr Rudman come from different political parties, but they share a sense of urgency about the need to bring under control the federal budget deficit, now rising at a rate of \$12,000 (£7,800) a second.

"That is \$12,000 a second of debt that we leave to our children. Those numbers are generationally immoral," Mr Tsongas said yesterday at a

small rally on Washington's Pennsylvania Avenue, midway between the White House and Capitol Hill.

The central proposal of the programme outlined by Mr Tsongas and Mr Rudman is a slicing scale means test, which would progressively reduce benefit payments to all those whose income exceeds \$40,000 a year.

They calculate that this would save \$67.6m in 2000. "We must change the conception in America about how this deficit is being caused: not, as many Americans think, by waste and fraud, but by too much foreign aid or by too many congressional perks, but by entitlements," Mr Rudman said.

The programme also proposes raising \$44.8bn in 2000 through adding 50 cents a gallon to the petrol tax, \$18.7bn from alcohol and tobacco taxes, and \$19bn from domestic spending cuts - in areas such as the space station, or community development block grants paid to cities and states.

Slippery steps away from inflation

Angus Foster finds Brazil's finance minister planning amid growth but under a cloud

THREE MONTHS after launching yet another plan to tackle Brazil's budget deficit and rising inflation, Mr Fernando Henrique Cardoso, finance minister, and his advisers are trying to calm fears that shock tactics are on the way.

Driven by rising industrial production and exports, the economy shifted gear in the final quarter of last year, after disappointing growth since 1990. It could grow by 4 to 5 per cent this year, but it is being hindered by political problems and annual inflation heading for 2,000 per cent.

Car production is at record levels and the country is running a trade surplus of more than \$1bn a month. There are also encouraging signs of improved productivity in the private sector, following cuts in both costs and labour, in reaction to Brazil's market liberalisation policies since 1990.

But all this good news pales in the shadow of the cloud of inflation. The September rate is likely to be nearly 40 per cent, only 10 percentage points below the level many economists call hyperinflation. Six months ago, it was less than 20 per cent.

The steady rise in inflation has ignited fears that the government will come under political pressure from Congress and other groups to launch another shock plan, such as those

which were tried, and which failed, under the two previous presidents, Mr Sarney and Mr Collor. These aimed to squeeze inflation out of the system by freezing prices or wages. They failed, partly because they did not tackle the bigger problem of inflationary budget deficits.

Brazil's chronic inflation is inspired by politics as much as economics, institutionalised by successive years of lax spending controls, government deficits and indexation.

According to one observer, "the political leadership in Congress is not scared of inflation; they don't believe the numbers the government shows them and they don't have the will to make these difficult decisions."

Part of the problem stems from the 1988 constitution, which transferred tax-raising powers from the federal government to states and municipalities, without transferring all the spending responsibilities. So, the federal government loses nearly 70 per cent of its revenues in transfers to the states and in wage bills. Of the rest, a further 17 per cent went in interest payments last year. This gives the federal government little room to cut spending. Indeed, simply to pay for essential services in 1994, an operational deficit of about 4 per cent of forecast GDP is expected. However, in the last three months,

the government's new team has signed debt accords with more than half Brazil's 26 states, clamped down on tax avoidance to lift tax revenues, separated the accounts of the Central Bank and Treasury to give greater clarity to their respective spending, and maintained the momentum of the privatisation programme, although critics argue that this remains too slow.

A serious setback came last week when the Supreme Court ruled unconstitutional a new tax on all financial transactions before next year, which the government hoped would raise the equivalent of \$300m-400m a month this year.

It is likely that the next step will be the announcement, probably in the first week of next month, of new rules on privatisation designed to widen the scope and scale of the programme and signal a symbolic redefinition of the state's role in Brazil. For example, some sectors closed to the private sector, such as electricity generation, could be gradually opened.

Second, probably in the next couple of months, the government plans to launch a big package of fiscal reforms. These have to be finalised but could focus on freeing some of the resources the federal government is now obliged to give to states and municipalities.

There would also have to be large spending cuts designed to achieve a balanced budget. As a parallel development, such longer-term reforms as the reconstitution of the burdensome social security system would be affected through the constitutional review.

The final stage of the programme, not to begin until the government has an operationally balanced budget and a favourable political situation, would be a de-indexation programme to tackle "inertial" inflation caused by price and wage indexing.

This neat and tidy timetable, however, could be derailed by the interest groups which scuppered previous plans. Mr Cardoso's calls for a political consensus to implement reform and control spending appear optimistic before next year's presidential election, the proximity of which tends to inhibit a will to cut public spending.

Mr Cardoso may be his own worst enemy. He denies he will run for president next year, but is assumed by his opponents to have just that intention.

The argument between President Itamar Franco and the Party of the Brazilian Democratic Movement (PMDB), which last week threatened to withdraw support from the president, may reflect PMDB worries that Mr Cardoso's plans will succeed, leaving him as a strong candidate for next year.

Vauxhall slashes production

By Kevin Done,
Motor Industry Correspondent

VAUXHALL, UK subsidiary of General Motors of the US, is cutting car production sharply at its two assembly plants this month under the impact of the steep fall in new car sales in continental Europe.

Later this week Nissan, the Japanese manufacturer, is expected to become another victim of falling European new car sales. It is expected to announce a significant cut in output at its plant in Sunderland, Tyne & Wear, in north-east England, for the last three months of the year.

Ford, the leading UK vehicle maker, has imposed a four-day week at its Transit van plant in Southampton, Hampshire,

BUGATTI International, which recently took over Group Lotus, the UK automotive engineering consultancy and maker of sports cars, plans to develop an affordable Lotus sports car for production in the late 1990s.

Lotus, which was previously owned by General Motors of the US, abandoned the two-

throughout September and October.

Vauxhall is cutting all production of the Vauxhall Cavalier-Opel Vectra in its Luton, Bedfordshire plant this week with the loss of nine shifts, it is cutting 14 shifts in Luton during September, which will eliminate the production of 5,506 cars.

seat roadster market last year. Rising losses and the high cost of production forced it to halt output of its Elan less than 2½ years after its launch.

Mr Romano Artioli, president of Bugatti Automobili, and Mr Mario Barbieri, vice-chairman, have become chairman and vice-chairman of Group Lotus.

By the end of September it will have cut 74 shifts this year in the Luton plant. In the first eight months output at the plant fell by 23.8 per cent to 84,600 cars.

Vauxhall's plant in Ellesmere Port, Cheshire, which produces the Vauxhall-Opel Astra, has virtually been reduced to working a three-day

week during September with the elimination of 11 shifts, cutting production of 3,344 cars. In effect, the plant has been closed for production from Thursday afternoon to Monday afternoon during September. A total of 21 shifts will have been cut during the first nine months of the year.

Overall, Vauxhall production during the first eight months of the year has fallen by 12.7 per cent to 188,926 from 193,542 in the same period a year ago.

In spite of the recovery in the UK new car market this year Vauxhall has been hit by a sharp decline in exports. Shipments abroad from the Luton plant of the Opel Vectra have dropped by two thirds in the first eight months to only 11,376 from 35,564 a year ago.

Building societies face more competition

By John Gapper,
Banking Editor

FURTHER EVIDENCE that building societies are facing their most severe competition since the mid 1980s emerged yesterday in figures that showed a squeeze on both mortgage lending and deposit-taking by the 88 societies.

Statistics released by the Building Societies Association and the British Bankers' Association showed banks raising their share of mortgage lending - largely through offering fixed-rate mortgages - at the expense of societies.

Societies are also suffering an outflow of retail funds, as depositors have withdrawn money to invest in equity products such as personal equity plans, as well as in the third tranche of the government's British Telecom stake.

The Building Societies Association said it expected investors to reinvest with societies following the fall in the FT-SE 100 index from its recent peak. "There is a touch of concern, but no more than that," said Mr Adrian Coles, director-general of the association.

Meeting follows long dispute about loan policies

Banks summoned over aid to small businesses

By Peter Marsh,
Economics Correspondent

MR EDDIE GEORGE, governor of the Bank of England, has privately called in top executives of the big four clearing banks to discuss his anxieties that the economic upturn could be stifled by lack of financial support to small businesses.

Mr George has also had discussions with small-business lobby groups to broaden the debate about how government policies can create the most favourable economic conditions for businesses which employ fewer than 200 people.

The governor's initiative follows controversy after businesses complained that banks had widened lending margins, had increased charges and had been too quick to withdraw support to companies in trouble.

strict lending guidelines to bank branches handed down from head office may have restricted access to capital for specific businesses with a good growth potential. Better training for lending officers was also discussed.

Policy suggestions developed by Mr George during his meetings with senior managers of the big four - National Westminster, Barclays, Midland and Lloyds - are likely to be given to Mr Kenneth Clarke, the chancellor of the exchequer, and may be taken into account in his November 30 Budget.

Banking representatives called to the gatherings have included Mr Derek Wanless, chief executive of National Westminster, Mr Brian Pearce, Midland's chief executive, and Mr Bill Gordon, managing director of Barclays' banking division. A senior manager from Lloyds has also attended. The exercise has also taken in meetings with representatives of the 58,000-member Federation of Small Businesses and the 21,000-member Forum of Private Businesses.

might damage the success of the initiative. One person close to the discussions said: "Eddie has decided to get on top of the mass of complex issues which relate to whether small businesses get enough support from both the government and the banks. He believes the area could be crucial to affecting the shape of the recovery."

The big four banks are crucial to the health of the 2m or so businesses employing fewer than 200 people - which account for about three quarters of the workforce. The study comes after two separate inquiries launched by Mr Norman Lamont, the former chancellor, last year and in 1991 into whether efforts by commercial banks to increase lending margins were preventing small businesses gaining the full benefits of cuts in UK interest rates.

Both these exercises, involving both the Bank and the Treasury, were conducted relatively openly with much subsequent publicity. Mr George appears to have decided that by conducting his exercise privately he may be able to take a more considered view of the issues involved.

UK site unlikely for Mercedes-Benz

By John Griffiths

DEPARTMENT OF Trade and Industry hopes of finding a UK site for Mercedes-Benz to build small cars - and of preparing a deal for the German vehicle manufacturer - may have been frustrated by public exposure.

The disclosure by Mr Helmut Werner, Mercedes' chief executive, that the company wants to make 200,000 small cars a year in one of four countries

has triggered rival approaches to its UK headquarters in Milton Keynes, Buckinghamshire. The UK, France, the Czech Republic and Germany are on the shortlist.

To the chagrin of the Invest in Britain Bureau, the DTI agency most closely involved in seeking to attract the project, even individual chartered surveyors are understood to have approached Mercedes with proposals for the 250 to

300 acre site. While the bureau last night refused to discuss its role on grounds of "commercial confidentiality", it is understood that it had been hoping to maximise the UK's chances of attracting the project by compiling data on all potential sites in the country, and preparing its own proposal.

So far, only the Northern Development Corporation and Midlands development author-

ties have acknowledged that they want the project. Industry analysts say Mercedes has to decide by the end of this year if production is to start, as planned, by 1997.

Mercedes has been stepping up its motor component purchases in the UK, which now supply £72m-worth annually. The parent group, Daimler-Benz, spends £350m annually with UK suppliers.

Chemicals exported despite warnings

By Jimmy Burns

THE BRITISH government approved the export of potential lethal chemical products to Egypt in 1986 despite receiving intelligence that the country was being used as a diversionary route for Iraq, a former foreign office minister said yesterday.

Mr Tim Renton, foreign office minister from October 1985 to June 1987, told the Scott arms-for-Iraq inquiry that three government departments - the Foreign Office, Ministry of Defence and the Department of Trade and Industry - approved a 26-ton shipment of hydrogen fluoride in September 1986. The chemical is an agent that can be used in the military application of nerve gas of a kind that was being used at the time by the Iraqis internally and in its war with Iran.

Documents made available to the inquiry show that in January 1986, an intelligence warning was circulated among ministers by Mr Charles Powell, then foreign policy adviser to Mrs Margaret Thatcher, warning that Egypt had

bought substantial quantities of the chemicals on behalf of Iraq and was planning to export more in the following months.

But Mr Renton told the inquiry that he had decided to drop his initial opposition to the export of the chemicals because there had been no "collateral" confirmation of intelligence provided by the Israeli secret service.

He had given his final agreement on the understanding that the Egyptian government be told of UK concern that the chemicals might be rerouted to Iraq and put to military use. Even then the Foreign Office decided to delay conveying its concerns so as not to upset Egypt diplomatically at a time when Mr Renton was preparing an official visit to Cairo.

It emerged yesterday that when Mr Renton answered initial questions from the Scott inquiry in June he said he had no memory of countries being used as a diversionary route to Iraq. He referred to the hydrogen fluoride licence after examining government documents supplied to him by Lord Justice Scott.

All sales licences to Iraq cars revoked

THE government yesterday confirmed that it was revoking all export licences for Iraq after the discovery of fraudulent United Nations and Department of Trade and Industry documents, writes Jimmy Burns.

The DTI said: "It has come to our attention that there may have been falsification of certain UK licences to Iraq. We have therefore decided it would be prudent to revoke existing licences and issue new licences."

The fraud involved tampering with documents to give false statements of export volumes on goods classified as humanitarian aid. Under the sanctions regime, imposed on Iraq after it invaded Kuwait in August 1990, humanitarian aid includes medicines and baby food.

However, yesterday's move is believed to concern borderline cases where the aid could have a defence-related applica-

tion such as vehicle spare parts and concrete. These cases are subject to UN scrutiny and require a UN letter of authorisation.

It is understood that British officials have been debating how to prevent the fraud from spreading. One problem is that some of the fraud appears to have involved middlemen in Jordan, which is now being viewed by the UK government as a potential ally in the Middle East.

British officials also had to consider the consequences of being seen not to take action once the fraud had come to light.

It is understood that the Scott arms-for-Iraq inquiry was an influence on some officials, forcing an early decision to stamp out the fraud.

The head of the Foreign Office's UN department is Mr William Patey, who during the 1980s led the committee vetting export licences to Iraq.

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BACE

1. INVITES applications from suitably qualified companies to pre-qualify and tender for the rendering of services of FREIGHT FORWARDER in England, France and Italy.

2. THE DOCUMENTS of the INVITATION FOR TENDER may be obtained from BACE, at 16 Great James Street, London WC1N 3DP, Tel. 071-405 5062, as of 14:00pm of 23rd September, 1993, for a non-refundable fee of £50.00.

3. THE TENDER DOCUMENTS are to be submitted to the PROCUREMENT COMMISSION, at BACE, at the address stated in item 2, in sealed envelopes by 15:00pm, London time, of 25th October 1993.

4. The International Invitation for Tender and the awards resulting therefrom will be governed by the Brazilian Law No. 8.666 of 21.06.93.

5. The envelopes containing the PROPOSALS shall be opened at 15:00pm of 31st November 1993, at the offices of BACE.

6. THE CONTRACT will be signed on the 29th November 1993, at the head-office of BACE.

For further clarification please contact the PROCUREMENT COMMISSION, at BACE, at the address stated in item 2.

London, 20th September 1993
a) Valécio Christóvão, Col
Head of BACE

Tax treaty may spark corporate shake-up

Correction

NEWS: UK

Opposition mounts to anti-IRA City cordon

By Stewart Dalby
and John Willman

DOUBTS emerged yesterday over whether the security cordon thrown around the City of London in the wake of two IRA car bomb attacks would be continued beyond its experimental phase.

City police and the Corporation of London, the local authority for the City, favour making the traffic restrictions

a permanent feature of the financial district in the belief that they have improved safety, cut serious crime and brought environmental benefits.

However, senior ministers are believed to oppose using the traffic control scheme to combat terrorism on the grounds that it has been a propaganda coup for the IRA.

City of London police commissioner Owen Kelly said yesterday that the traffic control

scheme had been "a key element in keeping the terrorists off balance".

He told a City seminar on security that the cordon had contributed to an 18.2 per cent drop in serious crime, mainly burglaries. In the City this year and had helped to improve safety in the wake of car bomb attacks.

Mr Kelly said the cordon had not been universally popular

and that some members of the government were thought to oppose it. He explained that he had the authority to run the scheme for six months and could renew it for a further six. "After that it is up to the government," he added.

However, Mr Michael Howard, home secretary, who also addressed the seminar, declined to say whether he would support the continuation of the scheme. Mr Howard said it

would be up to the transport secretary to adjudicate "at the time".

Mr Michael Cassidy, chairman of the corporation's policy and resources committee, believed opposition to the scheme came from the Department of Transport. "They do not appear to want to use a traffic control scheme to combat terrorism," he said. "We think the scheme has worked and want it to continue. It has improved security, but it has

also had good environmental benefits."

A car bomb exploded in the City in April last year killing three people and injuring more than 50. A massive bomb in a truck was detonated near the NatWest tower and Hongkong and Shanghai bank in April this year, killing one person and injuring more than 40. Damage was estimated at the time at between £400m and £1bn.

Britain in brief



Lib Dems soften tone on Europe

The Liberal Democrats are to tone down their fervent pro-Europeanism in an attempt to maximise the party's appeal to disgruntled Conservatives in next summer's elections for the European Parliament.

Mr Paddy Ashdown, Liberal Democrat party leader, hopes to treat the elections principally as a referendum on Mr John Major's government, shifting the focus from specifically European policies.

In a calculated shift in the party's approach to Europe, its strategists signalled that the Liberal Democrat manifesto would address the concerns of an electorate which had become increasingly sceptical about European integration.

The injection of a Euro-sceptic fringe into the traditionally unimpassioned enthusiasm for Europe reflects the judgement that the party's best hope of success in the European elections is to defeat Tories in the south-west.

river Thames in London. The construction company, which has a £20m debt on the site, found that its contractors were locked out of the area yesterday and refused access to their office and machinery.

McAlpine said: "We have very large quantities of material on the site which belong to us. There is a separate question of whether their [the family's] title is valid and that is something we shall be pursuing separately."

The Hwang family of Hong Kong, which effectively holds the site as mortgage through its Park View company, had hoped to achieve the takeover through a voluntary arrangement with secured creditors of Battersea Leisure, which owned the site.

The family said it was not aware of doubts on the title.

Teaching unpopular

Only 9 per cent of final-year university students made teaching their first choice of career, a survey has found.

The survey, in which 411 students at 22 universities were interviewed by BMIB International for the Association of Teachers and Lecturers, also showed that teaching was least popular among engineering and science graduates. It is government policy to encourage science teaching.

Mr John Patten, education secretary, has recently said pay claims as high as 14 per cent by teachers' unions were unrealistic because "students are queuing up to be teachers".

Places left at former polys

Former polytechnics have been left with unfilled places following an unexpected expansion in the numbers of students recruited by the older universities.

The new universities, which acquired their current status last year, have not been in direct competition with the traditional universities before, and many are deeply disappointed by this year's results.

This is in stark contrast to predictions that old universities would reject far more applicants than usual, and that the former polytechnics would have difficulty accommodating the extra demand.

Disputed Aids study delayed

The Medical Research Council has had to delay publication of the full results of its controversial study about the effectiveness of AZT, the most widely used treatment for Aids and HIV-positive patients.

In April the council revealed preliminary data suggesting that the drug was not effective in slowing down progress to Aids in HIV-positive patients.

Dispute over landmark

Sir Robert McAlpine and Sons has been taking legal advice on a dispute with the Hong Kong family that took over the mortgage of Battersea Power Station, a landmark on the south bank of the

Minister hints at road-pricing to beat London jams

By Ian Hamilton Fazey,
Northern Correspondent

MR JOHN GUMMER, environment secretary, yesterday gave the strongest hint yet that the government favours a system of road pricing or "congestion charging" in London.

Mr Gummer said in Manchester that Norwegian experiments on controlling traffic through electronic tagging and metering had achieved limited success. "It may just be we have to have a more simple form as far as London is concerned," he said.

Mr Gummer was speaking at a conference attended by more than 200 people from 87 countries which gave the opportunity to local authorities and non-governmental environmental bodies to debate recommendations made at last year's Earth Summit in Rio.

His comments suggested that the UK government had accepted that some form of road pricing was desirable for London and that discussion had moved on to deciding on the most suitable form.

He said opinion polls surveys

showed people favoured measures to encourage motorists to switch to public transport but objected when these were applied to them personally.

"Road pricing in its simplest form in London" would be one way of taking advantage of "underlying feeling" of support for measures to curb cars, said Mr Gummer.

The issue has aroused strong debate within the government. Mr Gummer said the departments of the environment and transport were working together to reconcile conflicting objectives in areas such as charging to beat congestion.

"You need a roads programme which does properly take into account environmental needs," he said.

"The trouble with environmental activists is that they won't decide priorities - you can't have everything at once. There are too many people who are absolutists. You cannot move from a situation where you provide everything for the motor car to one where you have nothing for cars," Mr Gummer said.

State health service 'promotes business'

By Alan Pike

BRITISH companies see opportunities for using the state-run National Health Service's international reputation as a basis for winning increased overseas business, Mrs Virginia Bottomley, health secretary, said yesterday.

Mrs Bottomley returned at the weekend from a visit to Australia, Hong Kong, Malaysia and Thailand. She had accompanied a delegation from 15 British companies representing a wide range of healthcare interests - including research, equipment manufacture and construction - that are bidding to expand their position in international markets.

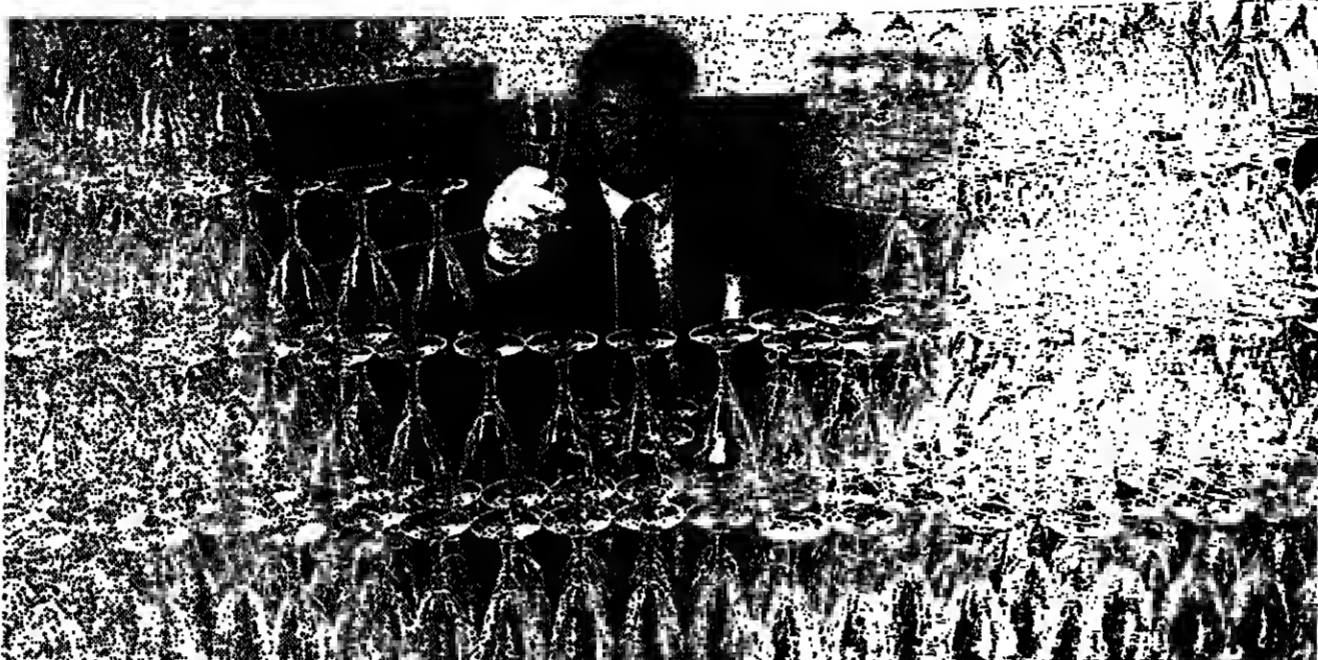
Britain is second only to Germany as a European Community exporter of pharmaceuticals. Exports and overseas

activities of the British healthcare sector are worth an estimated £5bn a year.

In Malaysia, a consortium between John Laing International and a local company has, with £13m finance from the UK government, secured a contract to build 12 hospitals based on NHS design experience.

The delegation included representatives of NHS Overseas Enterprises, which markets British health service management expertise and training overseas.

Mrs Bottomley said that in meetings with other health ministers during her visit, she had discovered widespread interest in the UK government's experience with trust hospitals, GP fundholders and other aspects of the NHS reforms.



Caterer Stephen McManus will preside over the serving of an estimated 43,000 glasses of champagne during the six days of the Ryder Cup at the Belfry golf course in the Midlands, Tim Burt writes. The contest between the US and Europe begins today.

All 33 hospitality suites, known as platinum pavilions, have been hired at £49,000 each by companies including IBM, IML Chase Manhattan and Royal Bank of Scotland. The suites will all contain fax machines, mobile phones and dining facilities for up to 50 guests. Restaurants will cater for the rest of the 7,500 corporate guests expected each day. Tournament organisers predict ticket receipts of more than £2m, which will offset investment on improving the greens at the course.

EC funding boost urged for shipyard

By Chris Tighe

MPS AND Euro-MPs from the opposition Labour party are to meet EC competition commissioner Mr Karel van Miert next Tuesday to press for Community funding for Swan Hunter, the troubled Tyneside shipbuilder. More redundancies are likely to be announced at the company today.

Yesterday the parliamentarians and the UK Confederation of Shipbuilding and Engineering Unions launched a document saying that Swan Hunter

should be allowed to qualify for EC "intervention funding" through being redesignated as a mixed yard.

"Intervention funding," from which UK warship yards are barred under a 1985 agreement between the UK and EC, gives access to a 9 per cent subsidy on merchant shipbuilding orders.

The MPs and Euro-MPs say Swan is in a unique position as the only shipyard classified as a warship yard to have built warships and merchant vessels without "intervention fund-

ing". They insist that redesignation as a mixed yard would not breach EC directives.

The latest job cuts at the Swan yard are expected partly because three weeks ago the company lost a £50m Oman patrol boat order to French rival Constructions Mécaniques de Normandie. Union sources said 100 Swan jobs had depended on the order.

News of three-figure job losses is likely this morning when receivers Price Waterhouse meet union leaders. Swans went into receiver-

ship in May after failing to win a crucial order from the Ministry of Defence for a helicopter carrier. It has since shed almost 750 jobs, reducing its workforce to 1,700.

Unions and MPs fighting to save Swans are anxious to avert jobs cuts, arguing that the loss of key staff and break-up of teams of workers will make it less attractive to prospective buyers. It is understood that potential bidders, keen to avoid large redundancy bills, are holding back until further jobs are shed.

Major fails to quell sniping from rightwing Tories

Kevin Brown and David Owen

MR JOHN MAJOR yesterday shrugged off continuing attacks on his leadership and insisted he had no intention of resigning prime minister. As senior Tories redoubled their efforts to rally around him in the face of persistent sniping from rightwing critics, the prime minister insisted in Tokyo there was "no vacancy".

He won the unanimous support of British businessmen travelling with his party. Mr Michael Perry, chairman of Unilever, said it was "impossible to conceive of greater support and leadership than we have had in the last two days". Mr Howard Davies,

director-general of the Confederation of British Industry, the employers' organisation, said the leadership speculation had not been raised by Japanese businessmen or officials.

But Mr Major was clearly irritated by continuous UK media questions about his leadership. He poured scorn on reports that Mr Kenneth Clarke, the chancellor of the exchequer, was one of three cabinet ministers being drafted to stand against him.

Remarks by Mr Clarke at the weekend, in which he appeared to confirm that he had been approached to stand, were said to have been misinterpreted. Aides said the remarks had been "supportive," and insisted that

relations between the chancellor and the prime minister remained good.

Asked about reports that he felt lonely and isolated, Mr Major said: "Heaven alone knows where this nonsense comes from. It is not for me to speculate where everything that appears in public comes from. If I did that I would be lonely and isolated. I do not, and I am not."

However, the continued sniping from the right suggests that Mr Major's attempt to bring the rebels to heel by calling for an end to "stupid internecine squabbling" has failed.

He was said to be frustrated by his inability to get his message across, but looking forward to a showdown

with the rebels at the Conservative party conference next month. In London, backbench criticism of his leadership continued, with Mr Tony Marlow, the Tory MP for Northampton North, arguing that a change of leader was now inevitable.

Mr John Biffen, a former Tory cabinet minister, said Mr Major must "add to" his acknowledged strengths of amiability and decency. "He is now in a situation where amiable manners and an engaging classlessness is simply not enough," he said in the London Evening Standard.

Members of the government lined up to pledge their support for the prime minister as speculation about a

possible leadership challenge this autumn rumbled on.

Mr John MacGregor, transport secretary, said it was "ridiculous" that prominence was being given to "totally unfounded rumours of cabinet splits, soundbites from the same handful of backbenchers and type about minor incidents."

Sir Norman Fowler, the Conservative chairman, said the party backed Mr Major and wanted him to "remain our leader".

Mr Major's future may well be determined by his success in swinging the party rank and file behind his leadership at next month's conference.

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enterprise, delivered by mail, facsimile or in person. The Request for Proposals is available from 17 September 1993. Inquiries should be addressed to the following:

Ministry of the National Economy of the Hellenic Republic
Secretariat of Support for the Touristic Ports
Office 215
5-7 Nikis Street
Syntagma Square
101 80 Athens
Greece
Telephone No: +301 333 2039
Facsimile No: +301 323 0801

Inquiries may be made in person at the above address, but only between 11.30 a.m. and 2.00 p.m., Monday to Friday.

The Request for Proposals contains information for the three Marina Properties noted above. Prospective bidders may submit Proposals for any or all of the Marina Properties.

Proposals must be submitted at the above address no later than 5.00 p.m. Greek Standard Time on 22 October 1993. Those who register with the Secretariat of Support for the Touristic Ports, Ministry of the National Economy, by their written expression of interest in receiving a copy of the Request for Proposals may seek clarification of its contents and submission requirements until 8 October 1993.

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TECHNOLOGY

Genetic food for thought

Is there a hint of cannibalism about eating an animal that has been genetically engineered to include human genes? Should a Moslem or Jew avoid meat from a cow that includes pig genes? Can vegetarians eat plants containing animal genes? Such questions may sound like absurd moral speculation. But biotechnology is moving so fast that the world's religious and ethical thinkers will soon have to give practical advice on genetically modified foods. Some preliminary advice came yesterday from the UK government's Ethical Committee on Genetic Modification of Food. It found "no overriding ethical objections" to foods incorporating copies of human genes, but recommended that products containing human and other "ethically sensitive" genes be labelled clearly to allow consumers to make an informed choice. The committee of six was chaired by John Polkinghorne, president of Queens' College, Cambridge, who is an ordained scientist. It consulted widely among different religious groups and others who feel strongly about food purity. Its report concludes that a human gene inserted into another species should not be regarded as human material. This is partly because what is transplanted is not an original human gene but a copy of one - and, to make the point, the committee uses throughout the report the cumbersome phrase "copy genes of human origin". In any case, the report says, the gene loses its human character outside the context of a human cell. Experimental transgenic animals with human genes already exist - for example sheep that make Factor IX, for haemophiliacs. Such animals are far too valuable to reach the market today. But surplus transgenic sheep - those that do not make enough human protein for pharmaceutical use - may be sold for food at some point in the future.

Clive Cookson

* Report of the Ethical Committee on Genetic Modification of Food, HMSO, £7.95

The "paperless office" promised by computers has become a joke. Yet Xerox, best known as a manufacturer of copiers that add to the deluge of documents, aims to have the last laugh.

Rather than eliminating paper, Xerox has developed technology that incorporates computer instructions into paper documents in an almost invisible format. Known as Glyph, it promises to bridge the gap between computerised office systems and paper documents and could change the way paper documents are treated.

Usable Glyph technology became available in a limited form last year in a product called PaperWorks. The United Nations Children's Fund (Unicef) is using it to keep in contact with far-flung staff around the world.

Working in remote and often primitive locations presents Unicef staff with a communications problem. Power-supply difficulties make it not worth their while having portable computers, which are anyway expensive, and there is often an inconvenient time-difference with headquarters in New York.

With PaperWorks software installed on an IBM or compatible PC at headquarters, Unicef staff who come across a fax machine can send a special Glyph-encoded form to the fax-card in the PC. By marking up the form with a pen or pencil, they can indicate what they want done from a number of possible options.

Once the computer receives the form, it carries out the instructions. These may be to retrieve any messages addressed to the caller or look up and transmit data to the caller, or to route documents to other PCs. If the field-workers do not have a Glyph form with them already, they can obtain one by faxing a blank sheet of paper to the PC. Unicef says that the system works well and plans to extend its use.

After filing a series of patents protecting the Glyph technology, Xerox has lifted a veil of secrecy and says it will soon announce licensing deals with software firms, office equipment manufacturers and large corporations which are struggling to manage paper document mountains.

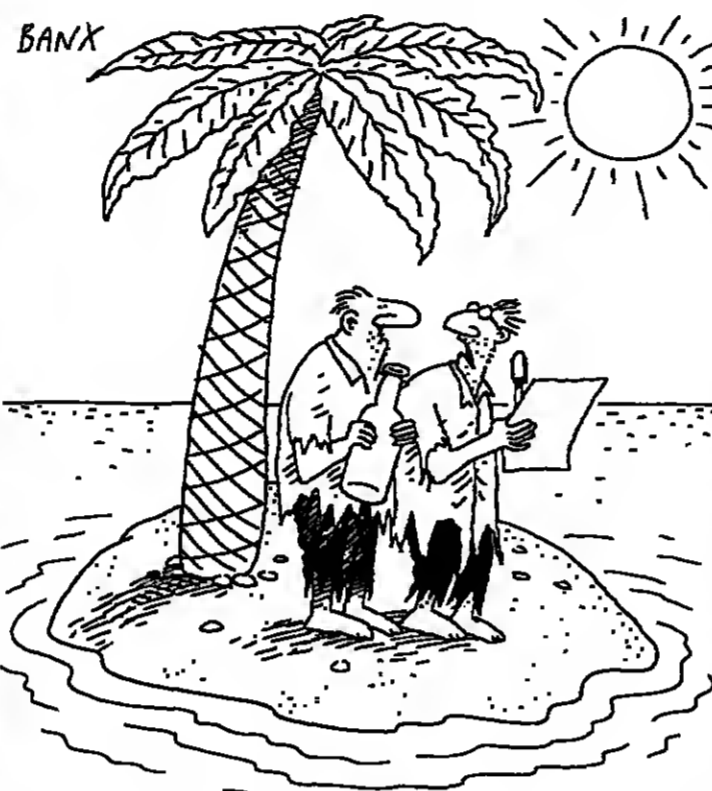
"The question is not whether we will do away with paper but how to find the best way to integrate it into the office," says Paul Ricci, president of Xerox Advanced Office Document Services.

Ricci explains: "There is a serious productivity issue in the office and paper is largely disjoined from the electronic world. Xerox, with its focus on documents, has been seeking ways to bridge the two worlds."

Glyph technology was developed over a four-year period by the Xerox Palo Alto Research Centre (Perc).

Paper, long the Cinderella of the high-tech office, is about to go the ball after all, writes Tom Foremski

Prints charming



"WHAT'S THE GLYPH FORMULA FOR 'HELP'?"

This is the institution that pioneered most of current desktop technology such as PC graphical user interfaces, laser printers, Ethernet networking and object-oriented software.

Glyph uses tiny diagonal marks on paper arranged in lines within a rectangle, rather like a miniature barcode. In documents produced for use by the scanners in conventional fax machines, which work at lower resolutions, they can clearly be seen, but are unobtrusive.

In documents that can be scanned at higher resolutions, the diagonal marks look like a uniform grey field

which can be incorporated within a logo or other image, so that readers will not find them ugly or distracting. Yet even these "hidden" marks can be read by specially equipped fax machines, scanners and computers and then translated into computer instructions.

Glyph technology could revolutionise paper use, says Paul Saffo, research fellow at the California-based technology think-tank Institute for the Future.

"The problem with paper is that once you print a document, its information is like a fly trapped in amber. With Glyph technology, it becomes a two-way

trip. It can also help with problems in managing huge amounts of information, since you can embed hyper-text connections that link the paper document with related information in large databases."

A printout of a spreadsheet to be used in a presentation could have formulae embedded in it. If the client then wanted to see how the figures looked on different growth and inflation assumptions, the page could be scanned in to a PC and the data manipulated on the spot.

However, Saffo cautions, the large number of potential applications for Glyph, and its versatility, may make it difficult to market. "With foundational technology such as Glyph, it's difficult for us to imagine all the ways it can be used, because it can be applied in so many ways."

Xerox will shortly introduce a software development kit that will allow business applications to access Glyph technology. But to fully realise Xerox's vision of "smart paper", computer and office equipment manufacturers will have to add Glyph-recognition capabilities.

This will require improvements in fax scanner technology and it may take two years before such products are available.

Ricci says that Xerox is offering attractive licensing deals to help establish Glyph as an industry standard, which will help keep down the price of Glyph-compatible equipment. In the meantime, Xerox will integrate Glyph technology into its products.

Software giant Microsoft is interested in using Glyph as a key part of its "Microsoft at Work" concept that was announced in early June.

Microsoft at Work will consist of software and hardware that will link office equipment such as fax machines and copiers to computer networks.

Xerox is developing a multifunction device combining fax, photocopier and scanner, and integrating Glyph technology and the Microsoft at Work architecture. The device is to be introduced in 1994.

Xerox envisages a wide range of applications for Glyph and is talking to several big companies. Ricci declined to go into detail, but mentioned that one key application being discussed is using Glyph technology in credit cards to help improve security and cut down on fraud.

Xerox is also developing sophisticated optical recognition technologies that use artificial intelligence to understand printed words and distinguish image areas.

With these technologies, Xerox's goal is to rescue paper from its derelict role as voluminous by-product of the digital world and give it a starring role instead.

Custom-built toys for pen pushers

Alan Cane profiles Telepad, which has big plans for pen computers

Who needs a pen computer? Everyone who can write, to believe the razzmatazz over Apple's Newton. Eo's personal communicator, Grid's Gridpad and other electronic personal assistants.

In practice, innovative devices of this kind are finding favour first with a smaller but no less demanding audience: agents, salespeople and inspectors whose job means hours on the road and quantities of data to be analysed and relayed to headquarters.

Pen computers have no keyboard. Their users write directly on the screen using a special stylus. The computer's software records the handwritten input either as the original drawing - a sketch map or a signature, for example - or translates handwriting into alphanumeric characters. Insurance companies, engineering concerns and inspectors are already sending out their staff armed with machines built by Grid and IBM of the US and NEC of Japan among others.

The machines are not perfect. Persuading a machine to recognise the scrawl that passes for most people's handwriting is not easy. "Pen computing will be a horizontal market - not just yet," muses Ron Oklewicz, president and chief executive of Telepad, a three-year old US computer company based in Reston, Virginia.

What he means is that while pen computing is not yet sufficiently flexible or reliable for universal use, it has ready applications in niche areas - field force computing being the obvious example.

Oklewicz's company seeks to exploit the gap between the potential of pen computing and the reality of building reliable systems based on novel technology.

Telepad is still in its development phase. It raised \$9m (£5.8m) through a public offering resulting in a Nasdaq listing on July 15 and is in many ways a model for the computer company of the future.

It is a "virtual" company, only 32 people strong and fleet of foot. It relies on other organisations for product design and manufacture.

Its eponymous product, the Telepad, a foot-square polycarbonate-cased screen selling for between

\$2,400 and \$3,000, is manufactured for it under contract by IBM, in one of the first examples of the industry giant's new policy of selling its skills to third parties.

The physical design of the device was entrusted to two US design shops, GVO of California and Edge of Philadelphia. Warehousing and physical distribution are handled in the US by LMI of Memphis, Tennessee, which also takes responsibility for repairing broken machines.

Much of the technology in the Telepad is off-the-shelf. It will run all the most popular industry operating systems, for example: Windows, OS/2, Penwrite, Go and Pendor.

So how does Telepad reckon to differentiate itself from the competition? It claims to be one of the first systems integrators in the pen computing business, putting together hardware, applications software and telecommunications in a package customised to the exact needs of the user.

This puts it in a different category from companies like Apple which are chiefly concerned with selling innovative hardware. Oklewicz, a former manager of Apple's federal systems division, does not see the Newton as competition. IBM, on the other hand, "is perpetual competition, but it is opening up the market."

Some prestigious customers are already shopping there. The US Air Force, one of the world's largest buyers of computer equipment, is spending \$1m on Telepads for staff inspecting radar installations.

A US police force is using Telepads to replace 14 separate accident report forms by one electronic entry.

Miniature cameras, or radio devices which communicate with satellites to pinpoint the user's geographic position, can be linked to the device.

Telepad, however, not only provides the hardware and the communications - it also develops the necessary information-processing software.

A store chain, for example, recording its inventory on Telepads could transmit the data to head office over the telephone or radio links for analysis.

PEOPLE

Sir William Ryrie to join Barings

Sir William Ryrie has chosen the central role for what looks like being an active life back in London following his retirement as chief executive of the International Finance Corporation, the private sector finance arm of the World Bank.

Sir William, a former second permanent secretary to the Treasury who devised the "Ryrie rules" which govern investments by nationalised industries, is to spend three days a week helping to develop Barings' international businesses.

The appointment will include a seat on Barings' main board. Sir William will devote most of his time to encouraging Barings' ventures in emerging markets such as the Asia Pacific and Latin America.

Sir William, who is 64 and took over as IFC chief executive in 1984, has developed IFC



leading to an expected \$2.4bn this year despite some overlap with the relatively new European Bank for Reconstruction and Development.

Sir William said yesterday that flows of investment from Europe and the US had grown continuously over the past decade and there was "no doubt barring some extraordinary catastrophe that they will

be the strongest markets in coming decades.

"It will be nice to come home," said Sir William, who expects to be appointed to "one or two other boards" in addition to his role at Barings. He hopes for a "little less vigorous life" than at the IFC, despite the appointments.

Andrew Tuckey, Barings' deputy chairman, said the bank hoped that Sir William would provide particular impetus to securities distribution in emerging markets as well as helping to develop primary issue and corporate finance activity.

"To some degree he will have an ambassadorial role, but we also want him to contribute to hard decisions about what markets we should be in or issues such as whether we should develop business by taking on local partners," he said.

■ Tony Doyle, formerly finance director, has been appointed md of Welwyn Systems, part of the TT GROUP.
■ Martin Kelly, formerly md of Elliott Medway, has been appointed md of Crosby Kitchens, part of NORCROS GROUP.
■ Richard Barnes, formerly chief financial officer, has been appointed group finance director of WATERFORD WEDGWOOD.

■ Gavin Young, group legal adviser, has been appointed secretary of SIMON ENGINEERING; he succeeds James Burdett who has resigned.
■ Brian Sweeney, former head of Arthur D. Little's downstream oil consulting practice, has been appointed business development director of ROLLS-ROYCE INDUSTRIAL POWER GROUP.
■ Keith Bushnell, formerly finance, export director and

company secretary, has been appointed marketing director of SYNTEX in the UK.
■ Johan Kramer, formerly marketing and sales director of Eternit based in Brussels, has been appointed marketing director of WICKES' continental companies in Belgium, the Netherlands and France.
■ Bob Graham, formerly retail operations director of Habitat, has been appointed to the same position at SPICIALEYES.

Police inspectors

A 137-year tradition will end next month when two businessmen join Her Majesty's Inspectorate of Constabulary.

All previous members of the inspectorate, which monitors police standards and encourages improvements in efficiency, have been former chief constables. The appointment of Anthony Williams and Peter Hobbs is part of the government's Citizen's Charter drive to demonstrate the independence of inspectors.

Hobbs, 55, joined the Wellcome Foundation from ICI in 1978, and was until recently group personnel manager of Wellcome plc. He was the first chairman of the Employers Forum on Disability, and has twice served as international vice-president of the Institute of Personnel Management. Wide-ranging involvement in education and training initiatives includes the chairmanship of the Learning from Experience Trust.

Williams, 57, a qualified occupational psychologist, is a partner in Hay Management Consultants. He worked on selection procedures for the police, fire service and civil service while at the Civil Service Selection Board. His has also been personnel director for the World Bank.

On a practical level, ministers hope that the two newcomers' outside experience will contribute to current attempts to improve managerial efficiency in the police service.

Changing chairs in Vocational Qualifications

Education and training enthusiast Michael Heron, chairman of the Post Office, has been appointed chairman of the National Council for Vocational Qualifications which, over the past few years, has been developing competence-based vocational qualifications.

He replaces Sir Bryan Nicholson who is leaving at the end of his three-year term and who becomes president of the CBI from April 1994.

Sir Bryan, a skilful negotiator, has been an enthusiastic chairman of the NCVQ, using his skills of persuasion to gain greater acceptance for national vocational qualifications.

According to Ann Widdicombe, the employment minister, under Sir Bryan's leadership the NCVQ had made "excellent progress". She also

said that Heron's background, experience and commitment to education and training made him ideally qualified to build on the achievements of his predecessor.

Heron has had both a strong professional and personal commitment to training. Before joining the Post Office in January, he was director in charge of personnel worldwide for Unilever. He is deputy chairman and a member of the board of Business in the Community (pictured in that capacity right) and was recently appointed vice chairman of the National Advisory Council on Education and Training Targets. Made up of senior business leaders and academics, Nacett's role is to oversee progress towards the attainment of the very same NVQs that the NCVQ has been developing.



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Kingscroft was variously known as "Dart", "Dart and Kraft" and "Kraft". Insurance Company Limited; Lime Street was formerly Louisville Insurance Company Limited.

Any holder of a policy or contract of insurance in which any one or more of the companies participated may be a creditor of them, either now or in the future.

An alternative to Liquidation

Ian Bond and Chris Hughes of Conpers & Lybrand have been appointed Provisional Liquidators of all the companies (referred to together as "KWELM") by the High Court of Justice (England) and also, for Mutual Reinsurance, the Supreme Court of Bermuda.

Ian Bond and Chris Hughes have proposed, as an alternative to liquidation, a Scheme of Arrangement under the Companies Acts of England and Bermuda. The purpose of the Scheme is to enable the companies to pay their creditors a percentage of their claims as they are agreed, whilst retaining sufficient cash assets to pay the same percentage to creditors whose claims are agreed later.

The Scheme of Arrangement cannot go ahead unless it is approved by creditors. The Courts have authorised meetings of creditors to consider and, if thought fit, approve the Scheme. These meetings are to be held on 17 November 1993 at Alexandra Palace, Wood Green, London, England. Holders of policies or

contracts of insurance in which the companies participated may vote at the meetings or appoint a proxy to do so.

Find out more

A series of presentations has been arranged to brief policyholders and their brokers or other advisers on the Scheme, and to answer their questions. Meetings will be held at 2.00 p.m. (local time) as follows:

Date	Venue
27 September 1993	London Press Centre New Street Square London EC4A 3JB
7 October 1993	Roosevelt on Madison Avenue 45 East 45th Street New York, NY 10017
8 October 1993	The Weslin Hotel 909 North Michigan Avenue Chicago, Illinois 60611
12 October 1993	Hyatt at Los Angeles Airport 6225 West Century Boulevard Los Angeles 90045
14 October 1993	Hotel Nikko Atlanta 3300 Peachtree Road NE Buckhead Atlanta, Georgia 30305
15 October 1993	Grapevine Convention Center 1209 South Main Street Grapevine, Texas 76051 (Near Dallas/ Fort Worth Airport)

For more information call the Provisional Liquidators on +44 71 212 8120 (UK 071 212 8120), or write to them at KWELM, St Andrew's House, 20 St Andrew Street, London EC4A 3AY, United Kingdom. Full details of the Scheme are available on request.

Coopers & Lybrand

KWELM

BUSINESS AND THE LAW

Keeping ahead of the game

The Financial Law Panel was set up on the recommendation of the Bank of England's Legal Risks Review Committee to help solve problems of legal uncertainty said to be threatening London's future as an international financial centre.

To many outsiders its creation was a sign of weakness, confirmation that London had a problem. But to Colin Bamford, the panel's new chief executive, it meant quite the reverse.

"I think it is a sign of the great strength of the English system. It has been seen as a weakness because of the Hammersmith and Fulham swaps case. People said 'Oh dear, English law can't cope'. But the same would have been true about any other jurisdiction. It's just that the problem materialised here."

It was the House of Lords' 1990 decision in the Hammersmith and Fulham case which led to the creation of the Legal Risk Review Committee.

The Law Lords ruled that swaps contracts between banks and local authorities were invalid because local authorities had never been empowered by government to carry out swaps. The swaps contracts were therefore *ultra vires*. Banks, many of them foreign, were outraged at being unable to enforce the contracts.

In general, Mr Bamford believes concern that legal uncertainty is undermining London's position is overdone. English commercial law is the most advanced in the world, he says. If there is a problem with legal uncertainty it affects all legal systems equally.

Huge markets are growing up in very quick time. The trouble is that legal systems tend to be reactive, he says. They don't anticipate problems and everybody is only too aware that, given the size of these new markets, the first time a problem arises its impact could be catastrophic.

The panel was set up precisely to try and anticipate where problems might arise. So it is a positive move, he says, which shows that at least the English system is addressing the issue. No one else has a similar type of body - yet.

When the panel was proposed Lord Alexander, the former Bar chairman and chairman of NatWest who headed the Bank's review committee, said he envisaged it evolving into a body like the Takeover Panel, giving informal advice to firms about the legality of financial transactions they might be contemplating.

Its judgments would not have the

The Financial Law Panel plans to act, rather than react, says Robert Rice



Colin Bamford: legal problems are worth worrying about before they arise

force of law but Lord Alexander said he hoped they would carry weight if they came to court. Lord Justice Hoffmann, a member of the review committee, had told him he thought the courts would give weight to the panel's decisions.

But Bamford, a 42-year-old City solicitor with a commercial banking background, sounds a note of caution. The panel will have to earn the respect of the courts first and that will take time. The only precedent is the Takeover Panel, which took 10-15 years to acquire that level of authority.

He also says that the Panel will have to be careful not to usurp the role of the courts, particularly in areas which might involve white collar crime. But it will be able to provide guidance as to best practice in the absence of specific guidance in the legislation.

All that, however, is for the future, in its first year of operation the panel is unlikely to be in a position to consult widely and disseminate best practice on problems brought to it at this stage because one consequence of the Bank's

review committee was that by the time it was set up it had a ready made agenda.

Three or four years down the line, the Panel may operate on a different pattern, he says, but for the first year at least everything it looks at will be drawn from a list of problems presented to Lord Alexander's committee during its review.

The panel has identified 11 areas of concern on which it will concentrate over the next 12 months and has already formed working parties to look at two problem areas - shadow directorships and banks taking security over cash.

The market needs a definitive view on taking security over cash because at the moment it is getting different advice from different lawyers, says Bamford. He has chosen a working party of high-powered lawyers: Professor Roy Goode, Philip Wood of Allen & Overy, Francis Neate of Slaughter and May and Michael Crystal QC, to look at the issue. He chose them on the basis that whatever they say should carry weight with lawyers

whichever side of the debate they are on.

He has also identified three big potential problem areas for early attention: *vires*, looking not only at local authorities and swaps but also at a whole host of associated problems and uncertainties relating to building societies, insurance companies and public bodies; fiduciary duties - a very large and highly complex issue at which the Law Commission is also looking; and netting.

Netting is an area where if problems arose, consequences for the markets would be enormous, says Bamford. The Bank's committee received submissions from the foreign exchange, bullion, derivatives, money and securities markets stressing the importance of netting and set-off on insolvency.

At its simplest level, netting involves the set-off of reciprocal obligations between transaction costs. When it works effectively, it is recognised by the counterparties and is designed to reduce insolvency exposures, capital requirements can be greatly reduced since the credit and liquidity exposures of participants are also reduced.

The problem is that while netting has always been accepted as a basic principle of English insolvency law it is not accepted as a basic principle in the US and in mainland Europe, although America has recently passed legislation to allow it, so that it can bring its capital adequacy rules into line with England's.

"It's not that there is a legal problem," Bamford says. "It's just that the consequences if there were one would be so enormous. If you had a collapse in one of the big markets and someone discovered that the netting of operations across the market didn't work the way everybody thought that they would, the implications would be absolutely staggering. So it merits worrying about even though there is nothing wrong at the moment," he says.

When the worrying has been done by the various working parties and by Bamford and his team of seconded lawyers, their deliberations on the issues will then be considered by the full panel, chaired by Lord Donaldson, former Master of the Rolls. In general, Bamford expects the 15 panel members to play a monitoring role, ensuring its work is going in the right direction.

He also expects the panel to be a success. If it is, he says, it will be interesting to see, by the time he hands over to his successor three years from now, whether the Americans have followed suit and set up a panel of their own.

The United Nations Convention on Contracts for the International Sale of Goods concluded in Vienna in 1980 - better known as the Vienna Convention - is the biggest success so far achieved by inter-governmental attempts at unification of commercial laws.

The convention has been ratified or accepted by 34 countries and signed by an additional four (see box, right). The secretariat of the UN Commission for International Trade Law (Uncitral) hopes the number of countries incorporating the convention into their law on foreign trade will ultimately reach 50. Already its acceptance is wide, embracing most trading countries of importance, with the exception of Japan and the UK.

The reach of the convention goes far beyond the ratifying countries. Almost all of them will apply the convention to all contracts governed by their law, even if the parties to the contract, or one of them, are based in a country which has not adopted the convention. China, Slovakia and the US will apply the convention only if both parties are in countries which adhere to it. The Nordic countries will not apply the convention to contracts where both parties are within their area, preferring to treat these as domestic contracts.

In contrast with previous such international pacts, the convention applies automatically, without requiring the contracting parties to mention it in the contract. It is, no doubt, of great advantage to traders in countries which have no proper commercial laws of their own and it has been drafted with particular regard to the interests and requirements of developing countries.

As an effective instrument of harmonisation and simplification of law the convention may also prove useful to traders in industrialised countries, not only if handled with care and awareness of its pitfalls. If the other party agrees, these can be avoided at a stroke of the pen, by putting in the contract a clause opting out of the convention.

Where it is impossible or undesirable to opt out of the convention altogether, it is possible to override most of its undesirable provisions by means of explicit clauses of the contract - but to do that it is necessary to know the convention.

There is, however, one article of the convention which cannot be overruled by agreement of parties to the contract. This is Art 12, which safeguards the position of those countries that made a declaration that they only recognise contracts, their modifications or

Handle with care

A H Hermann on some pitfalls of foreign trade under the Vienna Convention

VIENNA CONVENTION

Convention ratified by and automatically applicable in:

- European Community: Denmark, France, Germany, Italy, Netherlands, Spain
 - Efta and Scandinavia: Austria, Finland, Norway, Sweden, Switzerland
 - Ex-communist Europe: Belarus, Bulgaria, Hungary, Romania, Russian Federation, Slovakia, Ukraine, Yugoslavia
 - North America: US, Canada (most provinces)
 - Latin America: Argentina, Chile, Ecuador, Mexico
 - Middle East: Egypt, Iraq, Syria
 - Far East: Australia, China
 - Africa: Lesotho, Uganda, Zambia, Guinea
- Convention signed but not ratified by Poland, Singapore, Venezuela

termination, when these are made in writing. Such declarations were made by Argentina, Belarus, Chile, Hungary, Ukraine and the USSR (now the Russian Federation).

These are some of the convention provisions which deserve particular attention - and possibly modification by the contract:

- Anticipation of breach: Art 71 of the Vienna Convention provides that a party may unilaterally suspend the performance of its obligations until provided with "adequate assurance" if it "becomes apparent that the other party will not perform a substantial part of his obligations..." This leaves the supplier at the mercy of the buyer both in respect of what is "apparent" and what is "adequate".
- Cure: Art 48 gives the seller the possibility of curing "any failure to perform his obligations", even

after the expiry of the time fixed for their performance, as long as he will not cause the buyer unreasonable inconvenience, expense and delay. The seller can also ask the buyer for extra time and go ahead with the late performance if no answer is received.

- Damages: The convention opens the door to unnecessary disputes, limiting, in Art 74, damages to levels which do "not exceed the loss which the party in breach foresaw or ought to have foreseen..."

- Force majeure: Art 79 protects the party impeded by *force majeure* against damages without providing for avoidance of the contract and, in the case of a temporary impediment, leaves the entire burden on the impeded party.

- Fundamental breach: Art 25 makes the contract voidable only if the substantial consequences of the breach were or could be foreseen by the person in breach.

- Interest: Art 78 makes interest on overdue debts obligatory but is silent on how to calculate it.
- Interpretation: Art 8(2) takes the intention of a party into account only so far as its expression would be understood by a reasonable person of the same kind as the other party.

- Ownership: The convention has no provisions on the passage of the title to the goods from the seller to the buyer.

- Passage of risk: Art 68 makes the buyer of goods in transit bear the risk only from the conclusion of the contract, rather than from the time the goods were handed to the first carrier.

- Price reduction: Art 50 allows the dissatisfied buyer to reduce the price unilaterally, without sufficient safeguards for the seller.

- Specific performance: The convention gives priority to a court ordering specific performance rather than awarding damages, even in a case where the aggrieved party could have been expected to make a substitute contract. Common law courts are not bound by this rule by virtue of Art 28.

- Stopping goods in transit: Art 71(2) allows the seller who suspects that the buyer became insolvent, to prevent the handing over of the goods dispatched earlier even if the buyer holds a document which entitles him to obtain them. This may cause problems if the goods were transferred by means of the document to a third party absolutely or as a surety.

- Substitute transaction: Art 76 provides that the current market price should be taken as at the time of the contract avoidance, rather than as at the time when the performance was due (as according to the UK's Sale of Goods Act).

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ART
GUIDE

Theatre 'Forger' plea for Plymouth

The Arts Council is now considering cutting its entire grant to the Theatre Royal, Plymouth unless a response from the Plymouth region can persuade it otherwise by September 22. The theatre has already coordinated a campaign of 50,000 signatures and 5,000 letters. The quality of recent performances and the quantity of local response should allow the Council to vote a reprieve without losing face.

The Theatre Royal's most recent play, *Master Forger* (in repertory until 25 September) starts an autumn season which includes the dependable *Les Liaisons Dangereuses* alongside the innovative *The Doctor and the Devils*, a play by Dylan Thomas about Burke and Barré. The Theatre Royal's Drum Theatre offers a line in modern classics and midwinter pantomime. The balanced programme and sensible scheduling includes visits from the Welsh National Opera, Glyndebourne Touring, London Contemporary Dance Theatre and The Birmingham Royal Ballet. This breadth makes Plymouth a valuable resource for dance, opera and theatre in the South West.

Master Forger is a fine new play by Hugh Jones based on the life of the artist Tom Keating (1917-1984). Keating became famous in 1976 for forging Samuel Palmer's paintings. But he also forged over 2,000 others. These "Sixteen Blakes", as he called them, included Degas, Goya, Modigliani, Rembrandt, Sisley, Van Gogh and Vuillard. But he was best at J.M.W. Turner, another consummate professional who was capable in a visit to Venice of turning out 300 sketches in three days. In 1977 Keating was charged with conspiracy and fraud in relation to sale of paintings, and early in 1979 the trial, which The Observer described as "the best free show in town" began. Charges against Keating were dropped before the spring. Inside five years, he was a national hero, advising on TV and venting his anger against an art establishment which used money alone to value art.

The play, directed by Roger Redford, sticks to the surface of Keating's colourful life like the formaldehyde-varnish he used for ageing paintings. Roy Marsden, as the bohemian cockney delivers a fine performance which shows how the artist was in some sense possessed by the Old Masters, and how his promiscuous reading emerged as a series of lectures in court. "The only thing that amazes me is that I wasn't exposed in the press a lot sooner." Marsden's voice is superb, ringing around the revolving set, pleading with the audience, imparting information or directing models. Takes are the way forward. Umberto Eco's *Fakes in Fakes* has a scene where a California sculpture garden shows the Venus de Milo with both arms. Maybe now she can write to Arts Council on behalf of Plymouth.

Andrew St George
Master Forger in repertory until September 25 (0752 267222)

Artists: made in America

William Packer looks at the later period of the two current US exhibitions and finds it wanting

American Art in the 20th Century, installed at the Royal Academy and the Saatchi Gallery for the autumn, manages to be at once highly questionable in its partiality and deeply conventional in its general view, an unusual polarity. As to the former aspect, here we have what purports to be a true and definitive survey, the American chapter in the Academy's on-going study of our century's art, country by country. Yet it blithely asserts that America's engagement with the modern movement began only in 1913, with the Armory show in New York, as though American artists until then knew nothing and cared less of the European art of the previous 50 years, of Degas and Manet, Monet and Cézanne, Gauguin, Picasso and Van Gogh.

So it goes on, for if you can ignore Whistler or Sargent at the beginning, there is hardly a problem with forgetting American realism between the wars, with its inconvenient reminder, uncomfortable thought, that all art is modern art in its time, and the *avant-garde* not set on rails. It is just so again later on, through the post-war period and on to our own time - no Milton Avery, Diebenkorn, Morris Louis, no Nevelson, Poon, Kienholz, Segal, Close. But none of this would matter a jot if the selectors, Norman Rosenthal of the Academy and Christo Joachimidis of the Zeitgeist-Gesellschaft of Berlin, had only had the nerve to parade their partiality, and to argue its case.

But no: theirs must be the disinterested survey of the true course of American modernism, and final judgment on what is significant and, by simple omission, what is not. It is a large claim and, in relation to particular artists and their achievement, not one to be lightly dismissed. The case is especially strong with the early and central phases of abstract expressionism, at times magnificently displayed, with Arshile Gorky and Jackson Pollock in the 1940s, and Willem de Kooning and David Smith in the 1950s and 1960s, all of them clearly major figures. Further on the case is as well made, if more succinctly, with the minimalism of Ellsworth Kelly, Frank Stella, Agnes Martin and Richard Serra.

But even this is only well-established, conventional stuff, the reading of American art taken at its own critical valuation as passed on by an insistent cultural machine these four decades past. If it does not fit the pattern, leave it out. Early Rothko? Still too problematical. Richard Diebenkorn? A one-off. But for the rest, of course, the American example led the way. At times it has even seemed that if it was not made in America and, more to the point, sold in New York, it was hardly modern art, and Jasper Johns the greatest artist in the history of the Universe.

What is the story, as it is told here? An early engagement with Duchampian Dada jumps the decades to affect the conceptualism and anti-art of the past 25 years or so. Meanwhile, an interest in collage and graphic ephemera is picked up from Picasso only to lie dormant for a generation, to re-emerge, writ large, as post-war American Pop. Before that comes the big one, abstract expressionism, that great climactic after which painting will never be the same again. And what really was its great and original contribution? Looking to the painterly surrealism of such as Picasso, Ernst and Miró, the influences upon American painters were clear. What could they do to distinguish themselves? Paint it big better still, paint it vast. *View la difference*.

Taken as an opportunity and choice rather than an imperative, this new and more than ample scale in painting represented a genuine development. The canvas was transformed from support into arena, the mark at the brush's end amplified into grand theatrical gesture, and colour itself made palpable and enveloping. Painting became an event, a process, a drama, an experience.

The sad misuses of so positive an opportunity are all too apparent at the Saatchi Gallery, which covers the period since 1970. Here, displayed with an ironic elegance, is the betrayal of painting in the name of market fashion and facile reputation. By now anything goes. One mark is as good as another, and the merest indication of an image is taken for its realisation. Here, as painting, we find only the wildest crudity of Julian Schnabel, the cynical graffiti of Basquiat, Keith Haring's



'Split Head' at 2,673,047, 1980, by Jonathan Borofsky

mechanical illustration and the pathetic manikins of Jonathan Borofsky. No wonder poor Philip Guston, the only true painter among them, ducks his head in desperation behind the parapet.

To get to the review of Agnes Martin's recent work, at the Serpentine, is a relief. Here again, at its most refined and minimal, is true painting, though austere and even forbidding to one unfamiliar with its convention. Given such simplicity - cool, light colour grounds gently inflected, tone to tone, coloured stripe to stripe, and articulated by nothing more than a ruled pencil line - the work is unashamedly formal and small. Yet it is a paradox of such work, with each canvas requiring time and close attention to reveal its peculiar qualities, that much more would too soon become a surfeit.

These are objects for quiet and private contemplation rather than the distraction of the public gallery. A close visual harmony is established, teasing the eye at the very threshold of actual perception. A linear structural interval is set up in counter-point, to get going a gentle rhythm in the eye's mind. It is barely there, ultimately seductive, very beautiful.

William Packer's earlier review was in Saturday's paper.

American Art in the 20th Century: Royal Academy, W1, and Saatchi Gallery, 98a Boundary Road NW8, until Dec 12; sponsors Merrill Lynch, The Daily Telegraph, American Airlines, Agnes Martin: paintings and drawings 1977-1991: Serpentine Gallery, Kensington Gardens W2 (Oct 24), sponsors Nyda & Oliver Preen Foundation, The Elephant Trust, American Airlines

Weekend music in London

New quartet, old orchestra

(as it used to be from the Smetana Quartet's celebrated own). In the past this less-often-played of Smetana's two string quartets, a "late work" of some times overpowering intensity and telegraphic economy of statement, has too often been dismissed as the incoherent product of Smetana's overwrought mental condition (by 1882 his syphilis was already far advanced).

In this reading its pungently dramatic, passionately emotional qualities were both balanced and heightened by a grasp of its astonishing concentration of form and lyrical statement, all of which added up to an overwhelming experience. The Dvořák "American" quartet, after the interval, was perhaps one easier to digest but no less exhilarating, only the opening Haydn (the "Fifth", Op. 76 no. 2) had been lightly flicked with nervous imprecision on the part of the quartet's brilliantly communicative leader, Pavel Fischer.

The quality of the players' instruments is plainly not of the highest (step forward, some chamber-music-loving Maecenas). Everything else about the group arouses huge excitement for the future.

Max Loppert

loses focus when she calls upon it for more volume. The best songs were the third and fifth, where the scoring is lighter. Unlike other singers, concerned with keeping up a golden flow of voice in these songs, she sings words, urgently and intensely. At times the music nearly wandered into the world of expressionism. Giuseppe Sinopoli is a reasonably considerate accompanist and she was not often drowned.

In Bruckner he could afford to let the brass rip - and he did. In the passages of the Fourth Symphony where they sing Bruckner's noble melodies the strings were more certain of their ensemble, though Sinopoli drove them so hard that they often sounded under stress. For the rest, the brass dominated, obliterating everybody else rather than trying to blend.

All of this is central to Sinopoli's views on Bruckner, typified by the blazing assertiveness of every climax. The comparison here has to be with the Leipzig Gewandhaus and Kurt Masur, who gave a Bruckner Fourth at the Proms which was on another level, grand, unforced, eloquent. I do not wish to suggest that anybody over here should try to follow the Leipzig model but the Germans do know how to play Bruckner. It is unlikely that any London super-orchestra would match them.

Richard Fairman

Sponsored by Motorola

Opera/Richard Fairman

New WNO 'Lucia'

Fresh from its success at the Edinburgh Festival, Welsh National Opera is keen not to let the impetus flag. As the season gets underway at the New Theatre in Cardiff, the company has announced the commission of a new opera from Peter Maxwell Davies called *The Doctors of Myddfa* - a mythical Welsh tale about a mystery illness and unearthly medical secrets, to be seen in 1996.

For the time being more mundane matters are at hand. It is not long since WNO last put on *Lucia di Lammermoor*, although a Donizetti evening in which the most notable protagonist is the conductor can hardly be regarded as an unqualified success. Thinking back to the company's days in the front line of modernist production styles, one might have assumed that a second try in so short a period was to invite a controversial producer to deliver the full-frontal assault missed last time.

Not so: lovers of bel canto can come out of their bunkers. This new production is virtually non-existent: the singing is left centre-stage. Following on a line of lyric sopranos that has included Cabellé and Ricciarelli, Janice Watson turns the role of Lucia into a vehicle for luminous, long-breathed, lyrical singing. Nothing that she has done before has suggested the ease with which she negotiates the high-flying passages in the mad scene, sung with the poise of an expert tightrope-walker.

A period of study for the role in Italy has clearly paid off, though not yet enough to make the coloratura sparkle or the Italian words bite (the narrative aria "Regnava nel silenzio" sounded nice but did not

tell a story). Her Lucia is a sweetly vulnerable creature, who skips around the stage, running her hands innocently through her long blond hair.

According to a note in the programme her clandestine romance with Martin Thompson's visibly neurotic Edgardo makes her grow into a "quiet revolutionary", though Rennie Wright's production fails to make clear on stage what that might mean. Thompson is an American tenor with easy top notes, an Anglo-Saxon sounding voice and good vocal manners, who is evidently much in demand. Tenors who can diminuendo on a top C are never two-a-penny.

Nobody else succeeds in lighting up the miserable gloom of this staging, which works against David Barrell's Enrico and Michael Driscoll's voluminously loud Raimondo. It is ironic that WNO's Music Director, Carlo Rizzi, should be opening the season at Covent Garden with Puccini and Rossini revivals, leaving Italian opera duties in Cardiff to Julian Smith.

Looking at the stage, one could hardly blame him. When a ram gets its throat cut for a toast in blood at the wedding, it suggests a thirst for novelty which is nowhere else evident. We know we are in Scotland because the men of the chorus are wearing kilts, but the rest of the production consists of two grey walls and half-a-dozen tables, which clannish shift around periodically for visual splendour and dramatic thrill. Clearly the money ran out at the drawing-board stage. Then again, was there a drawing-board stage?

Sponsored by the Peter Moores Foundation

Pop concert/Peter Berlin

Grant Lee Buffalo

Grant Lee Buffalo is the type of band that gets record companies interested. Its lyrics are interesting (or pretentious, depending on your point of view), its musical style, distinctive but knowingly anchored in mainstream rock, is marketable but not overtly commercial.

This week the trio played at the ICA in the Mall. They are hardly pin-ups, looking more like thirty-something escapees from a David Lynch film about American lowlife. As Grant Lee Phillips, lead-singer, guitarist and songwriter, bounced on stage one young woman behind me turned to another and declared disappointed: "He's ugly." "Really ugly," replied her friend. Pudge, sweaty, bashing on his 12-string electro-acoustic guitar, twirling awkwardly as he briefly addressed the audience between songs, Phillips dominates the stage and laps up the applause. He comes from the high-strung, wild-eyed school of north American singers, somewhere between Henry Rollins and Neil Young - they finished with a high-speed version of Young's "For The Turn-of-the-Millennium". He instantly raised worries about how efficiently he had been searched for guns at Heathrow.

Paul Kimble, the bassist, his ratty dyed hair hanging across his face, is a poor man's Nick Cave. Joey Peters, the drummer, pulling faces, grin-

ning encouragement to no-one in particular, is the sort of man who has animated conversations with himself on trains.

They can all play. They started like a train, roaring through "Shining Hour", the strongest number from what is, by all accounts, a strong album. It was rockably on steroids, driven forward by Phillips' beefy, pounding drums. They followed with "Jupiter and Teardrop" a crunching ballad of ill-starred love. The opening chord, a shameless steal from Bowie's Moonage Daydream, has provoked an array of spot-the-influence among critics. Could "Jupiter" be Bowie himself? Could "Teardrop" be John Lennon, whose singing some say Phillips apes? Live he sounded eerily like Elton John (quite the wrong market) and the much-examined words like the more endearingly overblown work of Blake Thruip, John's lyricist.

On the album Kimble's production gives the songs variety. Live, G.L.B. showed an astute, though wearisome, mastery of rock's dynamics. Time and again crashing verse was followed by whispered chorus, rousing chorus by delicate verse.

They finished in rousing style with "America Snoring". If Phillips has not used up all his songs on *Fuzzy*, it will still be a poor man's Nick Cave. Joey Peters, the drummer, pulling faces, grin-

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater Tonight: final performance of Dutch National Ballet mixed bill, choreography by Laurie Booth, Toer van Schayk and Balanchine. Tomorrow, Sat, next Wed: final performances of Klaus-Michael Gröber's Netherlands Opera production of Parsifal, with Barry McCauley, Ruthild Engert, Jan Hendrik Rooterling, Wolfgang Schöne and Günter von Kannert. Thurs, Fri, Sun: Nederlands Dans Theater (020-625 5455) Concertgebouw Tomorrow: Norwegian chamber music with Arve Tellefsen, Truls Mørke and Håvard Gimse. Fri, next Mon and Tues: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in works by Weber, Beethoven and Richard Strauss, with piano soloist Brigitte Engerer. Sat afternoon: Valery Gergiev conducts Radio Philharmonic Orchestra and soloists of Kirov Opera in concert performance of Rimsky-Korsakov's The Legend of the Invisible City of Kitezh. Sat evening: Gustav Leonhardt harpsichord recital

(24-hour information service 020-675 4411 ticket reservations 020-671 8345)

ANTWERP

Tonight at deSingel: Peter Eštvás conducts New Belgian Chamber Orchestra in works by Webern and Kurtág. Tomorrow at Generale Bank: Fretwork presents music by George Benjamin and Josquin. Fri at deSingel: George Benjamin conducts Royal Flanders Philharmonic Orchestra in works by Messiaen. Sun: Heinrich Schiff conducts Orchestra and Chorus of the Monnaie in concert performance of Fidelio, with Nadine Secunde as Leonore (Antwerp 83: information from Grote Markt 29, B-2000 Antwerp, tel 03-226 8300; B-2000 Antwerp, tel 03-226 8300; tickets from Tele Ticket Service tel 070-233233 or in person at Fnac, Groenplaats, Antwerp)

BASLE

The Basle Symphony Orchestra's winter concert season opens tomorrow in the Stadtcasino with a programme featuring Mahler's *Lieder eines fahrenden Gesellen* (Oliver Widmer) and Tchaikovsky's Sixth Symphony, conducted by Michael Boder (repeated on Thurs). The next concert on Oct 13 and 14 are conducted by Horst Stein (061-272 1176) The new season at the Basle Theatre, the first organised by Wolfgang Zörner, opened earlier this month with Boito's *Meisterspiele*.

The production continues in repertory over the next month with Tosca, Jesus Christ Superstar and Yuri Varnos' ballet Spartacus (061-295 1133)

BRUSSELS

Palais des Beaux Arts Tonight, tomorrow: Ensemble InterContemporain plays music by Elliott Carter, Tristan Murail, Ravel, Boulez and others. Tonight's concert is conducted by David Robertson, tomorrow's by Pierre Boulez. Sun afternoon: Günter Neuhold conducts Belgian National Orchestra in works by Tchaikovsky, Tchaikovsky and Schumann, with violin soloist Kang-Yuen Tseng. Next Mon: Marek Janowski conducts Orchestra Philharmonique du Radio France in Tchaikovsky's *Rakhaminov*. Oct 1-10: festival of Czech and Slovak music (tickets 02-507 8200 information 02-507 8410) Monnaie Tonight, tomorrow: Heinrich Schiff conducts concert performances of Fidelio, with Nadine Secunde (tonight) and Janis Martin (tomorrow) as Leonore. Sat: José van Dam song recital (02-219 6341)

CHICAGO

CHICAGO SYMPHONY The new season at Orchestra Hall is underway with two programmes conducted by Daniel Barenboim. Tomorrow, Fri afternoon, next Tues: all-Brahms programme. Thurs and Sat: Verdi's Requiem with soloists Alessandra Marc, Waltraud Meier,

Vicente Ombuana and Ferruccio Furlanetto (312-435 6666) CHICAGO LYRIC OPERA The opening production of the 1993-4 season is *La traviata* (tomorrow, Sat, next Tues, Oct 1 and 4), with a cast led by June Anderson, Giuseppe Sabatini and Dmitri Hvorostovsky. The second production is Massenet's *Don Quichotte*, opening on Sun afternoon with Samuel Ramey and Susanne Mentzer (312-333 2244)

GENEVA

The Royal Shakespeare Company tonight opens a week of performances of Adrian Noble's production of *The Winter's Tale* at the Comédie (022-320 5001) Gary Bertini conducts Adolfo Marsillach's new production of *Carmen* at Grand Théâtre on Thurs, Sat and Mon (also Sep 23, 26, 29, Oct 2), with Denyce Graves in the title role (022-311 2311)

THE HAGUE

Dr Anton Philipszaal Tonight: Alexandru Lascau conducts Hague Philharmonic Orchestra in works by Ibert, Martin, Dukas and Bizet. Sat: Jac van Steen conducts Hague Philharmonic in Rudi van Dijk, Richard Strauss, Penderecki and Vaughan Williams. Next Mon: Reinbert de Leeuw conducts Schoenberg Ensemble in works by Yun and Scelsi. Next Tues: King's Singers (070-360 9810) AT&T Danstheater Thurs, Fri, Dutch

National Ballet mixed bill, choreography by Lauri Booth, Toer van Schayk and Balanchine (070-360 4930)

GHEENT

de Vlaamse Opera The first staged production at the newly-renovated opera house is *Otello*, opening on Thurs (repeated Sep 26, 29, Oct 2). Stefan Soltesz conducts a staging by Gilbert DeRo, with a cast led by Cornelli Murgu, Knut Skram and Elena Filipova. The production can also be seen in Antwerp next month (091-225 2425)

VIENNA

CONCERTS Sviatoslav Richter is piano soloist in a Bach and Shostakovich programme tonight in the Konzerthaus, featuring the Vienna Chamber Orchestra conducted by Rudolf Barshai (712 1211). At the Musikverein, Alfred Brendel gives a Beethoven recital tonight. Sat: Peter Kuschig conducts the Tonkünstler Orchestra in works by Beethoven, Prokofiev and Schubert. Next Mon: Tadaaki Otaka conducts Yomiuri Nippon Symphony Orchestra, with violin soloist Kyoko Takezawa. Sep 30: Murray Perahla (505 8190) OPERA/DANCE Catherine Malfitano sings the title role in tonight's performance of *Madama Butterfly* at the Staatsoper. Tomorrow: L'etier d'amore. Thurs: Salome with

Malfitano and Leonia Rysanek. Fri: ballet mixed bill. Sat: Tosca with Mara Zampieri. Sun: Fidelio with Luana DeVol, Ben Heppner and Theo Adam (51444 2955)

WASHINGTON

Twelfth Night: Shakespeare's romantic comedy directed by Douglas Wager. Till Oct 31 (Richard Theater at Arena Stage 202-488 4377) Show Me Where The Good Times Are: a musical by Kenneth Jacobsen, Rhoda Roberts and Lee Thuna about young love, greed and hypocrisy in New York's Lower East Side, loosely based on Molière's *Le Malade Imaginaire*. Opens tonight, till Oct 17 (Olney Theater 301-924 3400) Falssetos: William Finn's Tony Award-winning musical, directed by James Lapine. This week only, ends Sun (Warner Theater 202-783 4000) Beau Jest: a domestic comedy by James Sherman. Opens tonight (Ford's Theater 202-347 6269)

ZURICH

Opernhaus Tonight, tomorrow and Sun evening: il barbiere di Siviglia. Thurs: Eliahu Inbal conducts Nikolaus Lehnhoff's new production of Händel's *Der Prinz von Homburg*, with Thomas Hampson. Fri and Sun afternoon: Bernd Blaser's Nutcracker. Sat: Lohengrin. Next Mon: Sándor Végh conducts orchestral concert (01-282 0909)

ARTS GUIDE

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Japan's six-week coalition government is proving fragile and fractious under the leadership of Prime Minister Morihiro Hosokawa. But one constant source of influence at the centre of power, even though the long-ruling Liberal Democratic party was ousted this summer, is the business leader who met Mr John Major on his visit to Tokyo yesterday.

At the Akasaka Palace, the government's guest house, the British premier and a delegation of UK industrialists held talks with Mr Gaiishi Hiraiwa, the 79-year-old chairman of the Keidanren, the country's main business grouping. They put the case for the further opening of Japanese markets, from whisky to fund management.

Mr Hiraiwa was noncommittal. But one particular form of fund management, in which the Keidanren has for decades been involved, is unlikely to have been raised by Mr Major. Mr Hiraiwa last month said the organisation would no longer act as a conduit for business donations to Japanese political parties.

The Keidanren, the Japan federation of economic organisations, helped found the Liberal Democratic party in 1955 and provided it with some ¥13bn a year in funds from its 900-plus members. But less than a week into the life of the new seven-party administration, Mr Hiraiwa let it be known that this practice would cease. Ten days later Mr Morihiro Hosokawa, the reformist prime minister, appointed him to head an advisory panel seeking ways to streamline Japan's administrative system.

Not only were links with the new government cemented, but the appointment of Mr Hiraiwa to the panel allows the Keidanren to promote deregulation of the economy, which it has long sought and which Mr Hosokawa has made a main government priority along with political reform.

The cut-off in funds illustrates the ability of the Keidanren, written off on several occasions as a relic which speaks for shipbuilders and steelmakers, to defy its slow-moving image and adapt to changed realities.

Before it lost the election in July, the relationship between LDP and Keidanren was a strong element in the bond uniting the interests of government, industry and the bureaucracy which delivered Japan much of its postwar economic success. This so-called "iron triangle" became, however, so tarnished by corruption scan-

Iron triangle softens image

The Keidanren, or main business grouping, is adapting to changes in Japan, says Gordon Cramb



Tokyo heavyweight: Mr Hiraiwa (right) met John Major yesterday

dals that it was the main reason the LDP was ousted.

The federation's money represented a tenth of the LDP's total income and influenced companies to give even more. Mr Kazuo Nukazawa, Keidanren managing director, maintains that this money was the most acceptable, because it went openly to LDP central funds rather than through a back door to individual Diet (parliament) members or factions.

"The basic character of the government has not changed," says Mr Nukazawa. "It equals the LDP minus corruption." He adds that LDP politicians "will have to live a frugal life. They will have to bring sandwiches to a lunch meeting. That is good for their health."

In spite of such stern prescriptions, the ever-careful business organisation has left itself a get-out clause in case the LDP regains power. Individual member companies can maintain any direct funding they wish, the Keidanren says, and a small number have indicated that they will do so. It may in the future give guidance on the party or parties on which its members might wish to bestow any largesse.

"Guidance" - a signal of

what is acceptable, or indeed expected - from the Keidanren is taken no less seriously by industry than a similar nudge from a ministry. Japanese companies generally respect conformity and "mutual emulation is very strong," says Prof Hanio Shimada of the school of economics at Keio University, Tokyo.

This emulation applies, for a start, among the country's various business groupings themselves. Before acting on political funds, Mr Hiraiwa heard noises of discontent with the existing order. The complaints came from the more junior Nikkeiren employers' federation, which usually concerns itself with labour relations, and the Japan Chamber of Commerce and Industry, which represents 1.5m mainly small companies. But they waited for a lead from the Keidanren to before their members could stop payments. As Prof Shimada puts it, before Mr Hiraiwa spoke out on the issue, he "pretended he was at the tail of this procession, then he decided he could say what should happen."

While doing this, Mr Hiraiwa was falling into step with the

new government in other ways. Mr Hosokawa, in trying to stimulate depressed domestic demand, is making it clear that consumers rather than the LDP's long-cultivated producers should be the main beneficiaries from the favourable effect of the stronger yen on import prices.

Through all the years in which the Keidanren proclaimed the LDP the party of free enterprise, its members benefited from the party's bias towards the producer. Only the farmers' lobby, in blocking rice imports while selling the populace its staple food for five times world prices, has carried clout comparable with the Keidanren.

First to respond to Mr Hosokawa's message of putting the consumer first were the electric utilities, offering modest but trend-setting rebates on customer bills in acknowledgement of the benefits of cheaper imported energy. Although he played no overt role, Mr Hiraiwa is likely to have been active behind the scenes as the chairman of Tokyo Electric Power, Japan's and the world's largest private sector supplier of electricity.

The Keidanren excels not so much at radical innovation as at hauling itself on to bandwagons and giving them momentum. The federation has long lobbied for privatisation and claims credit for the state asset sales of the LDP's last decade - these continue this month with the sell-off of the first part of the Japan Railways network.

Mr Andrew Lawson, head of the east and south Asia department at the Confederation of British Industry, says that, while the Keidanren is good at putting together alliances to meet a sudden turn in events, such as a large bankruptcy, it often merely "espouses fashionable virtues", such as the environment.

The two main areas where resources within the organisation's 200-strong staff are being increased are environmental affairs, where it is seeking, for example, to help China control industrial effluents, and the harmonisation of competition policy with the west. Each can be viewed as ironic for a body which, with some success, spent much of the 1970s resisting legislation on pollution controls in Japan, and in the early 1980s acted to curb anti-monopoly requirements.

As the Keidanren adjusts its image to fit Japan's more consumer-conscious government, LDP leaders are left checking the price of their sandwiches.

Joe Rogaly Time for long trousers



This is the week in which Mr Paddy Ashdown must grow up, put on the long trousers of politics, even, if you follow me, select an appropriate jacket and tie. At present he is leader of a short-trousered band of idealists, the short-trousered philanthropists of British politics. The Liberal Democrats are doing well, but even the most sanguine among them confess that they are not a coherent national political force. They represent a collection of local committees, each tailoring its appeal to what will win votes on this particular pavement or that, each voicing the parish outrage of the moment.

Street corner opportunism can blow up in the participants' faces, as the publication of racistist propaganda by Liberal Democrats in Tower Hamlets has demonstrated. The perpetrators should be drummed out of politics. The party leaders, who cannot have been wholly unaware of what was going on, should be ashamed. The way they are expressing their anger now suggests that they are. Yet populism can be effective, and legitimate. Here in Turkey it has produced the most well-attended third-party conference since the high days of the Liberal-Social Democratic Alliance in the early 1980s. It has badly frightened the government. The Liberal Democrat victories at Christchurch and Newbury may yet bring down the prime minister. No one in Turkey believes that would be good enough. More is required if Mr Ashdown and his colleagues are to become the heirs of Asquith and Lloyd George. The what? The Lib Dem leader confessed at the weekend that, like any other ambitious politician, he

hopes to be prime minister one day. The probability that he will achieve that at the next election is low. I would have said something about a snowball's chance, but Mr Ashdown might demur. He is the sort of chap who reflects on the capacity of history to surprise us. Over the past few years it has. The Berlin Wall is down. The Soviet Union has vanished. Israel and the PLO have signed a peace agreement. Which do you find easier to believe? All of the above, or the Liberal Democrats sweeping the country sometime between now and 1997?

The realistic view, as expressed in relaxed conversations by some of the principals at the party's conference, is more mundane. It is that the best that can be hoped for is the capture of, say, a further 15 seats from the Tories. That would put the trailing opposition party at 35-40 members of parliament. Let us give Mr Ashdown that. Go on. Assume, just for the sake of argument, that the Conservatives do not recover the protest vote that currently threatens them. We would then reach a shortlist of two possibilities, familiar to those who followed the election of April 1992. Labour would either govern on its own or on the basis of a very small majority, or depend on, say, 35 Liberal Democrat MPs.

Either way, it would make little difference to the governance of Britain. The Liberal Democrats would grasp the opportunities open to them in a hung parliament with the eagerness with which they have grabbed the anti-Tory protest vote. They could do so with a clear conscience. Take their new value statement, Facing up to the Future, which was debated yesterday. It might as well have been published by Labour's modernisers. The emphasis on free markets in the Lib Dems' earlier statements has been softened, by putting capitalism in the context of regulation and community values. The old Euro-federalist enthusiasm has been tempered by a new realism that this does not sell under every British lamp-post.

The two parties are close enough on constitutional reform for it to be a fair bet that in either of the two realistic scenarios - a Labour majority administration, or one dependent on Lib Dem support - there would be early legislation on a Scottish assembly, and a referendum on proportional representation. Labour policies on Europe, trade union law, education, health, and other bread-and-butter issues would sail through. Both parties support active government; as to taxation it is the Liberal Democrats who have hit on the possibly useful wheezes of hypothecating imposts, such as a penny on income tax for education, or moving from taxes on earnings to taxes on energy. With the latter, you get cash to spend and the green vote thrown in for free.

In short, the Lib Dems propose next to nothing that would upset the programme of a Labour government under Mr John Smith. This is probably welcome news to members of the Liberal Democratic party, who are typically graduates with salaries high, many in the public sector. The results of a sample survey,

presented at the weekend by John Curtice of Strathclyde University, suggests that while most Lib Dems are middle-class, more than half support a coalition with Labour. The differences between the parties are cultural, not matters of policy. Turkey wholly rejects the idea of Mr Paddy Ashdown and his backbenchers propping up a future Tory government.

This is not to say that life under Labour would be the same if there were no third party. We have heard much about the effect on the Conservatives of the persistent strengthening of the Liberal Democrats. What of the effect on Labour? In the medium term it should strengthen the case for modernising, for dissociating Labour from relics of its past, such as its dependence on trade unions, or its hankering after a non-competitive world. This is essential if either party's dreams are to come true: southern voters will reject Liberal Democrats if they fear an unmodernised Labour party. Despaired rival or potential partner, the third party is a player in the same centrist market for votes. It cannot be ignored.

Mr Ashdown may therefore be propelled by events into a greater domestic political game than that played by his post-1945 Liberal party predecessors, or by the SDP "gang of four", Lords Jenkins and Owen and Lady Williams included. The question is, is he up to it? He has come a long way since he took over the remnants of the old SDP and Liberals in 1989. He deserves credit for the success of the new enterprise, although Mr John Major has probably done more for the Liberal Democrats than anyone else. Mr Ashdown must now move from being the piper of pavement politics to leadership of a serious party of consistent purpose. He will be watched.

In short, the Lib Dems propose next to nothing that would upset the programme of a Labour government under Mr John Smith

LETTERS TO THE EDITOR

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Flexibility is key to restoration of EMS

From Mr John Williamson.

Sir, Barry Eichengreen and Charles Wyplosz are surely right to argue (Personal View, September 17) that the ERM has now become so permissive as to cast doubt on the feasibility of completing the single market. But their diagnosis of the flaws is unconvincing.

In 1992-93 the European authorities stubbornly defended exchange rates that had become seriously misaligned to a point where credibility was totally undermined once the defences were overwhelmed and refused to acknowledge that German unification meant that the rest of Europe needed markedly lower interest rates than Germany.

Do Eichengreen and Wyplosz really believe that the ERM could have survived had it been exposed to such pressures prior to the abolition of capital controls? Are they really claiming that the imposition of deposit requirements for institutions with open foreign exchange positions would permit the parties of exchange rates pegged at levels that impose such strains to survive?

The key to restoring the EMS is not to play at restoring capital controls, but to resolve once and for all that rates will be pegged at levels that make sense in the light of the fundamentals and that are promptly changed to reflect changes in the fundamentals. For the moment that means keeping the wide band for the D-Mark, because of the need to allow Germany to keep relatively high interest rates, but there is no reason to delay restoring relatively narrow bands among all the other currencies (including the pound and the lira). That would mean that for the time being the D-Mark would no longer be at the centre of the ERM: so be it.

John Williamson, senior fellow, Institute for International Economics, 11 Dupont Circle, NW, Washington, DC, US

Free trade will benefit steel

From Mr Richard Lucas.

Sir, If the Inland Revenue is buying steelwork from Poland, this is not against British interests, except in the very short run (Letters: "Steel subsidised at high cost to UK", September 16).

I run a company which represents British and American producers of anti-ID equipment in Poland, and we are bidding for a contract from the

Katowice steel mill which will help raise productivity and cut costs. Such sales depend on relatively free trade.

Protectionism against efficient, low-cost Polish producers is short-sighted, because it threatens the expansion of trade through which incomes will rise, east and west. If free trade is allowed, Poland will export more to western Europe, and be a larger market

for the useful and competitive things that western Europe has to offer.

Let consumers decide which goods and services meet their needs, and not leave it up to bureaucrats.

Richard Lucas, general manager, Systemy Kodowa Kreskowych, 31-068 Krakow, Ul. Stradom 13/3A, Poland

Renewable energy industry makes sense

From Mr David Porter.

Sir, The report by Bronwen Maddox ("Answers in the wind", September 15) points clearly to the two reasons for focusing attention on renewable forms of energy. Fossil and nuclear fuels are finite and, as we use them up, we may cause pollution and significant climate change.

Ignoring the environmental issues, we shall find that when stocks of conventional fuel have shrunk, the market will set an appropriate price for them and energy management

will be taken up enthusiastically. Long before the time when the potential of energy management is exhausted, alternative energy sources will no longer be perceived as expensive.

But it is risky to ignore the environmental issues. If we are convinced that global warming is going to bring the tides to inland doorsteps and that man is capable of influencing climatic change of that magnitude, then we are bound to try to exercise that influence.

That is why it makes sense

to produce some of our electricity from renewable energy now, by supporting the best schemes and giving them the experience of operating in a commercial climate.

Then we shall have an established renewable energy industry capable of increasing its production when it has to. David Porter, Chief Executive, Association of Independent Electricity Producers, 1st Floor, 41 Whitehall, London SW1A 2BX

Andrew Holmes: insight into world of energy

From Dr Kim Howells MP.

Sir, I am writing on behalf of all of Andrew Holmes's friends and admirers, both inside and outside of parliament, who benefited so enormously from his unrivalled insight and breadth of knowledge of the world of electricity, politics and commerce. Not once, even during his busiest moments,

did Andrew deny any of us access to information and intelligence central to our understanding of the enormous changes being witnessed over the past decade in the energy industries. He reinforced our trust in and affection for the FT's specialist energy publications.

His death (Obituary: "Tren-

chant analyst of energy", September 14) at the age of 36 is a cruel blow, not only to his wife Claire and to his children, Lotie and Jack, but to all who counted him as a friend, an adviser and, quite simply, as one hell of a good bloke. Kim Howells, House of Commons, London SW1A 0AA

A different view of the purpose of work

From Mr David Martin MEP.

Sir, Richard Brown, of the Association of British Chambers of Commerce (Letters, September 8), claims that the Social Chapter amounts to "shackles". That says it all. It is typical of a representative of British commerce to portray the social wage as a "handicap". This illustrates why we will never be at the heart of Europe as long as that view prevails among commerce and government in the UK.

The letter also illustrates the

difference between the left and right in Europe and the right in the UK. Everybody else believes the purpose of work and commerce, and indeed, civilisation is to improve the working, living, social and cultural conditions of the people generally. Mr Brown presumably believes the sole purpose of commerce is to make the rich richer and the poor poorer.

I would fully endorse European Commissioner Padoa-Schioppa's concept of a World

Social Chapter. Indeed, I believe it is essential unless free trade is to result in beggar-my-neighbour policies on a world scale which will deprive the workers of the Pacific Rim of any improvements while removing the hard-won gains from our people.

David Martin MEP, Lothians Constituency, vice-president of the European Parliament, Ruskin House, 15 Windsor Street, Edinburgh EH1 5LA

No better place to find an answer than in the late 1960s

From Mr Brian Yates.

Sir, It was with some sadness that I read Malcolm Rutherford's review ("Hair is wearing thin", September 15).

While it must inevitably be true that the revival of a show which captured a particular mood a quarter of a century ago should now appear dated, it is surely misguided for Mr Rutherford to be so casually

dismissive of the culture and values of the late 1960s that Hair so clearly represented.

While I agree with Mr Rutherford that "the mood now is one of not being quite sure where to look", surely there can be no better place to find the answer than in the late 1960s during which a whole generation questioned the established order of things and

craved for a better way of life. Again, I agree with Mr Rutherford that the fashion has changed: we live in an age which is more competitive, more stressful, more apathetic, more materialistic, more violent. In contrast the mood of the late 1960s was one of peace, love, freedom, self-fulfilment.

It does not surprise me that Mr Rutherford feels it is time

to bring back "Guys and Dolls" as I am sure this would be a more suitable show for him to enjoy and review favourably.

It is equally clear that he has never had much in common with the hippies that are a part of Hair. Brian Yates, 7 Highdown, Fleet, Hampshire GU13 8PS

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Tuesday September 21 1993

Social market, Polish style

AT FIRST sight, the result of Poland's election on Sunday looks like a step back to the future. In reality, by endorsing the two parties that ruled Poland for four decades of communism - one of them working under a new name, both with new policies - the electorate is not seeking the return of the old communist economy. It is registering its desire to see market reforms tempered with greater attention to the problems they have inflicted on disadvantaged members of society, from public sector workers to old age pensioners. The consequence may be some slowing of the pace of change, but no real change in direction. With luck, Poland may even enjoy something it has not seen since the momentous and largely positive developments since the demise of communism: a period of political stability in which the government can take a medium- to long-term view of the economy rather than having to indulge in crisis management.

In one sense, these may seem foolishly bold pronouncements. The totalitarian past is so recent and Poland's position in the vanguard of economic and political reform so pivotal that any hint of a resurgence by the old *nomenklatura* might be expected to send shivers of apprehension through western and eastern Europe. The fact that such shivers were noticeably absent yesterday speaks eloquently about the scale of change that has already taken place. For one thing, the economy is in unrecognisably better shape than four years ago, with industrial production rising, the private sector now accounting for well over half of economic activity, and foreign investment making important inroads. For another, Polish politics appears to be maturing. Under the new electoral law that governed Sunday's poll, the number

of parties represented in the Sejm (parliament) has been slashed from 29 to six. Most took care to explain their distinctive policy platforms, and although Polish voters have arguably endured too many elections in recent years, more of them than on some previous occasions turned out to exercise their choice. The result seems likely to be peaceful alternance in government of just the kind that parliamentary democracy was designed to achieve.

Much now depends on the negotiations between parties to form a new coalition but here, too, the signs are not discouraging. The man at the centre of these talks - Mr Aleksander Kwasniewski, leader of the ex-communist Democratic Left Alliance - has repeatedly stressed his desire to press ahead with market reforms. Assuming he can keep hardline colleagues in check, he seems bent on establishing a broad-based coalition with a solid parliamentary majority, preferably including the centrist Democratic Union that led the outgoing government. Such a coalition would have a strong chance of surviving for a full four-year term and of governing without the interventions from President Lech Walesa that destabilised its predecessors.

A government of this stripe will want to modify economic policy as the voters have asked. In boosting social spending and public sector wages, it may push up the budget deficit, fuel inflation and dampen economic growth. Poland's relationship with the IMF and World Bank could suffer turbulence as a result. But a new government will also be aware that its members' desire for reform and economic integration with western Europe imposes strict limits on their room for manoeuvre. It will be for Poles to decide how strict those limits should be.

London security

THE SECURITY cordon thrown round a small area of London's financial district to deter terrorist attacks appears to have achieved a degree of success. It has been breached only once since the traffic restrictions were introduced in July - and then by a small vehicle which was safely defused. The predicted traffic jams have not materialised. Walking through the less congested City streets has become more pleasant. Crime has fallen and there has been no armed robbery within the secure area.

The measures have been popular with businesses inside the cordon. The City Corporation, the local authority for the area, has found overwhelming support for making the traffic restrictions permanent. The Corporation believes it has reassured many international businesses which might find terrorist attacks sufficient reason to relocate to other European cities.

Yet the government is rightly unwilling to commit itself to making the restrictions a permanent feature. Most businesses in London - including many from overseas - remain outside the security cordon. Welcome though the environmental benefits are, they are poor justification for a scheme that may in the end simply displace the bombers' attention to other parts of the capital.

More durable may be the approach adopted in other parts of

London, particularly around the government buildings in Whitehall. There, security has been improved by heightened surveillance and parking restrictions. Similar measures have also been introduced in the City at the same time as the traffic restrictions, and would continue were the traffic restrictions to be discontinued.

More, too, could be done to use the security systems of London's businesses to reinforce the efforts of the police and security services. Video cameras on business premises can deter terrorist attacks and help in finding those who perpetrate them. Yet senior police officers say that they are often not adequately maintained. Businesses could also do more to coordinate their security measures with their neighbours to ensure comprehensive coverage.

Adjustments to the arrangements for providing insurance cover for terrorist damage could play a part in heightening business awareness. Since the commercial insurers withdrew from the market, the government has helped create an insurance pool to which it acts as insurer of last resort. However, the premium structure offers no incentives for businesses that take precautions against terrorist attacks. Premium discounts for businesses that adopt approved security measures would be a further step in the fight against terrorism.

German gripes

AS GERMANY weathers the difficult aftermath of unity, the electorate's behaviour is, hardly surprisingly, showing marked variations from the old Federal Republic's general pattern of remarkably stable consensus politics. Only around 75 per cent of west Germans would vote for either of the two main parties, Chancellor Helmut Kohl's Christian Democrats and the opposition Social Democrats, according to latest opinion polls. The approval rating is even smaller among disgruntled east Germans, roughly 14 per cent of whom, on the basis of latest surveys, support a return of the former Communists.

The weekend election in the northern city of Hamburg provides further evidence of the trend towards political fragmentation. Voters are unsettled by the recession and the need for further cuts in living standards to correct post-unification economic imbalances. Yet, after several years in which the reputation both of Mr Kohl and of SPD leaders has been eroded, large portions of the electorate believe neither large party can adequately address Germany's problems.

The larger-than-expected collapse of Christian Democrat support to only 25 per cent of the Hamburg vote was accompanied by the loss of the SPD's absolute majority. The result, profiting a collection of left- and right-wing

fringe parties, may set the tone for a further 19 regional and national polls during the next 13 months, leading to the general election in October 1994. A minor consolation for the political establishment was that the far-right Rapaibian party, which has sought to gain ground from concern over immigration, narrowly failed to win the 5 per cent of votes in Hamburg necessary for parliamentary representation.

The fission of the popular vote is likely to feed uncertainties in Bonn. Mr Kohl's coalition with the liberal Free Democrats - who failed to pass the 5 per cent hurdle in Hamburg - is strained by differences on both economic and foreign policy. The FDP's demands that German industry be spared extra financing burdens from plans for nursing the elderly has led to a new coalition rift. This has prompted fresh rumours that Mr Kohl is preparing for a Grand Coalition next year with the SPD.

In crucial economic and industrial areas - concerning the budget, privatisation, transport, nuclear energy and social security - Germany requires bold initiatives to restructure an over-generous welfare system and restore its competitive edge. As the parties gear up for a year of electioneering, a strife-ridden political climate seems unlikely, however, to deliver the more radical policies Germany needs.

European steelmakers, politicians and bureaucrats are closer than ever to casting a gleaming rescue plan for the EC industry out of the mess and promises submitted by producers over the past year.

But September 30, the date set by the European Commission for receiving offers of capacity cuts totalling some 30m tonnes of annual output, will pass without a final decision on the overall package.

It is almost a year since the crisis in the European steel market - a result of low prices, overcapacity, and recession in customer industries - forced producers to seek financial and political help from the Commission.

The result, early this year, was a series of planned measures, including capacity cuts, designed to help raise prices, return the industry to financial health, and prevent further bankruptcies among private producers.

But the Commission's sensitive negotiations with the Spanish, Italian and German authorities, aimed at limiting subsidies to the main state-owned steel producers, are at least two months behind schedule.

The question is can the Commission's original ambitious plan to support the EC industry survive such a delay, or will it collapse in recriminations?

In spite of the delay, Mr Karel Van Miert, EC competition commissioner, and Mr Martin Bangemann, industry commissioner, will go into today's meeting of EC industry ministers to Brussels more optimistic than at any time since the crisis arose.

Most of their delicate plan is already in place. Steps have already been taken, or proposed, to help protect the EC industry from cheap non-EC imports; to monitor the steel market and forecast demand; and to set up a fund through which producers in certain sectors of the market will finance the closure costs of those in the same sector which cut capacity.

EC officials believe producers are now moving in the right direction, and most will be ready with a package of voluntary capacity cuts by a week tomorrow.

But the commissioners know that the producers' paper commitments do not act to limit state aid. Without restrictions on subsidies, private-sector steelmakers, many of which underwent painful restructuring in the late 1980s, will refuse to carry out the reductions to capacity on which the success of the plan depends.

The main reason why some ministers have been slow to tackle state subsidies is that the gains for the whole industry are outweighed by the domestic political pain of job

Capacity cuts are needed to rescue the EC steel industry, say Andrew Baxter, Andrew Hill and Ariane Genillard

Radical surgery to restore health

European steel: the case for cuts

EC's biggest steelmakers
1992 million tonnes crude output

Usinor Sidor (France)	21.1
British Steel (UK)	12.4
Iva (Italy)	11.0
Thyssen (Germany)	10.2
Arbed (Luxembourg)	7.1
Hooigovens (Netherlands)	5.2
Krupp Stahl (Germany)	4.4
Cockerill-Sambre (Belgium)	4.4
Riva (Italy)	4.2
Hoescht (Germany)	4.2

* Consolidated figure including mergers of companies reported separately
** Krupp and Hoescht have merged

EC's biggest steel-producing countries
1992 million tonnes crude output (World ranking)

Germany (9)	28.7
Italy (8)	24.3
France (11)	23.0
UK (12)	14.1
Spain (14)	10.2
Belgium (17)	10.2
Netherlands (24)	5.4
Luxembourg (25)	3.1

Source: International Iron and Steel Institute

losses, often in regions already hit hard by recession.

So reluctance by the Commission to push the ministers to a decision by tabling formal proposals is understandable. Decisions on state aid require unanimous approval by member states, and a veto by any single minister could accelerate the crisis. That is why there will be no vote at today's meeting on the three biggest state aid cases.

Instead, the Commission is likely to wait until the next scheduled meeting of industry ministers in November to propose a formal solution to the state aid dilemma, giving itself a further two months to cajole Bonn, Madrid and Rome into an acceptable deal.

But the Commission still hopes ministers will make progress at today's meeting, by beginning to suggest a balanced compromise between state aid and capacity cuts.

"The key question is: can the whole thing be finalised at the November council? That's only possible if this council isn't just a talking shop, but a critical session

about how to settle the three aid cases," says one senior Commission official.

The Commission is taking a risk, but it knows that while postponement will create difficulties for many private-sector producers, out-right failure would be a disaster.

The Community's steel industry is estimated to have lost more than £30n last year, and could be facing similar losses this year - prices may have recouped some of the falls since 1990 but remain depressed. Continental European markets have worsened this year, with demand in Germany, which accounts for about a third of European consumption, still falling.

Private-sector producers warn that the present trend will result in further bankruptcies, following the collapse of Saarstahl in Germany this summer. They worry that state-subsidised steelmakers are simply hanging on and waiting for market conditions to pick up.

According to British Steel, a further strengthening of prices generally is urgently required by even

the most efficient producers. In Germany, Thyssen warns that failure to reach agreement on subsidies means continued heavy losses for the industry. "Finally, this might lead to a situation where private companies will no longer survive in the steel market," it says.

Under the restructuring plan, the industry's effective capacity, excluding mothballed plant, will drop to 130m-140m tonnes annually, leaving enough slack to encompass any potential upturn. With a slimmer production base, the need to sell steel at suicidal prices simply to cover heavy fixed costs is reduced.

The longer the industry has to wait for restructuring to be implemented, the longer the market remains distorted by allegedly unfair competition. For example, the Commission estimates that debt at Iva, Italy's state-owned producer, will rise from £10,250bn (£4.2bn) at June 30 to £10,720bn by the end of the year. This amount would be unsustainable without state support, according to Brussels.

While the Commission is still

wrestling with Italy, after a summer of hard negotiation it has published the outline of a deal with the Spanish authorities, which should receive the unofficial backing of ministers today.

The Spanish intend to find private funding for the building of a mini-mill in the sensitive Basque region, and will bring forward by 18 months the closure of some 2.3m tonnes of capacity at Anzio, also in the Basque country.

Privatisation is emerging as a crucial element in the attempt by national governments to win the Commission's support for restructuring state industries. Iva is submitting a new restructuring plan - the latest of several - which is based on privatisation, while Brussels is insisting that any new capacity to be built at Ekostahl, east Germany, should be financed mainly with private cash.

There are still many hurdles to overcome, however. Most important, the Commission knows that if private investment is used as a cover for public funding, the Community's hard-liners - British Steel and the private German producers - will queue up to denounce Brussels for going soft on subsidies.

The British government, for one, is openly suspicious about the possibility of public support "through the back door," and private steelmakers are already sharpening their investigative Mr Ruprecht Vondran, president of the German steel federation, last week warned the Commission against "window-dressing" solutions to the problem.

And Mr Brian Moffat, British Steel's chairman and chief executive, has said that, if the subsidies issue is "judged," the UK producer might not pay its share of the proposed EC-backed levy scheme to pay for the capacity cuts.

Some even see the subsidies issue as having implications that go beyond the steel industry. "If the Community cannot sort out the subsidy issue, then you would have to question what it is for," says Mr David Rea, director of the British Iron and Steel Producers Association.

The alternative to agreement is certainly unpalatable. If the steel industry goes into 1994 without any deal on subsidies, there is a risk that state-controlled producers, which still account for about half Europe's production, could sit tight and wait for private companies to collapse.

That explains why the private-sector German producers, with their high labour costs and depressed domestic market, are nervous about the slow progress of the restructuring plan. They are hoping for a clear sign today that a solution will soon be cast in iron.

Tips from an old boy

Peter Marsh on a Treasury economist turned industrialist

With the UK government keen to step up discussions on policy issues with industrialists, it is likely that before long a senior Treasury mandarin will descend on a nondescript factory in rural Hampshire for a meeting with an unusual Whitehall old boy.

Mr Tim Parker is chief executive of Kenwood, a maker of kitchen appliances with a £120m-a-year turnover. A curly-haired and outgoing 38-year-old, he is one of the few Treasury economists in the past 30 years to have gone on to run a big manufacturing group.

In charge of Kenwood for the past seven years, Mr Parker has, during the recession, kept his UK workforce stable at about 1,200, opened a factory in China, revamped the product range and increased the company's pre-tax profits to £3.6m in the year to March 31, up 4 per cent on the previous year.

His career suggests he would have useful tips for Mr Kenneth Clarke, the chancellor, and Treasury officials as they elicit more ideas from manufacturers about economic policy. The department has launched Treasury "away days" to factories and has set up a committee of industrialists to discuss the economic outlook. The Treasury has also brought to Ms Wendy Prit-

chard, a consultant who specialises in developing the management cultures of big companies, to make senior officials more responsive to outside views.

Frugality at the Treasury's inward-looking style was partly behind Mr Parker's decision to leave Whitehall in 1979, after two years as a junior economist. He sought a job in industry "leading from the front" - a move that has paid off financially. As well as owning some £2.5m worth of Kenwood shares, Mr Parker's £160,000 salary is roughly 50 per cent more than that of Sir Terry Burns, Treasury permanent secretary.

After studying for an MSc at the London Business School - where he was taught both by Sir Terry and the Treasury's current chief economic adviser Mr Alan Budd, both former LES academics - Mr Parker joined the electrical group Thorn EMI as a trainee manager. In 1986 he took over the top job at Kenwood, then a Thorn subsidiary. Three years later Mr Parker was among nine managers who bought

the company from Thorn for £57m in a management buyout largely financed by banks. Last year the company was floated on the stock market, valued at £37m.

Based on his experience in the real economy, Mr Parker thinks the government should concentrate on boosting manufacturing, if necessary by letting sterling's exchange rate continue the downward path it has followed since Britain left the European exchange rate mechanism a year ago. With manufacturers benefiting from a large boost to competitiveness resulting from the lower pound, he reckons the sector has a "golden opportunity" to expand. Also helping manufacturers, he says, are low labour costs and a "battle-hardened" cadre of executives who have fought their way through the recession.

Mr Parker says this view does not amount to special pleading from a manufacturer. "We have to play this game with deadly seriousness," he says. "If we don't expand manufacturing industry we won't be doing enough to help create wealth



Tim Parker: not special pleading

Though Mr Parker says he has his hands full at Kenwood and the Treasury job has a salary only about a quarter of his current pay, he says the job would be "attractive".

One way around the earnings problem, he says, would be for the department to increase the salary, finding the money by sacking other employees. "It's the kind of approach the private sector would take, and possibly an example of how the Treasury has something to learn from the outside world."

OBSERVER



"The only way to get work around here is to become a councillor"

artists whether they might make available to her their drawings of the event.

When at the foreign office in the mid-1980s, Rendon fought a spirited battle with the DTI and the Ministry of Defence to prevent export licences being granted for inflatable dinghies bound for Iran, when similar craft were already being sent to Iraq. According to Rendon yesterday, what took up a great deal of Whitehall time was arguments over whether a boat of approximately 20 ft in length could be construed as having military applications.

Whatever the judge thought of Rendon's performance, the loyalty of one member of the public was assured.

The souvenir-hunting Mrs Rendon was heard to ask assembled TV

played a particularly insidious role," he says. "Having a peace-keeping force on the ground, it used the safety of its troops as an argument for dissuading the United States from using air power on the rare occasions when it was ready to do so. The fact is that British troops are nowhere stationed in locations where they could be directly threatened by the Serbs. They are exposed to the Croats and Moslems. Only when they are escorting convoys do they come into contact with the Serbs and they have done very little of that lately. Therefore the British argument has been merely an excuse for inaction."

In Soros' account only one person appears to emerge with any credit: himself. "My foundation provided fuel to Sarajevo during the winter, repaired and extended the gas lines, helped restore the bakery, and provided seeds for planting," he writes. "The only clean water available in Sarajevo today has been installed and maintained by my foundation."

Soros, the hero

Just to mark the anniversary of White or Black Wednesday, George Soros is once again putting the boot into the British government.

Writing on Bosnia and Beyond in the latest New York Review of Books, the terminator of Britain's ERM membership lashes the west as a whole but singles out Britain in particular.

"The British government has

out that it was another Perry, Commodore Matthew Perry, who had arrived from the US with four black warships to "force us" to open markets in 1853.

But times and personalities have changed, Hosokawa implied. Unilever's Perry had come to Japan armed only with a "mild shampoo".

Later on, Hosokawa played host at a press conference in the back garden of the prime ministerial residence, he smiled sympathetically as John Major, the British prime minister, was asked to comment on a famous Hosokawa saying that a party becomes easily corrupted if it is in government for more than 10 years.

Symmetry

Nice to see Britain's armed forces boosting their clientele bases. For, having honed their own expertise in shedding personnel over the past two years, they are now being retained to help the Russians deal with the effects of doing the very same.

Under an agreement signed yesterday in Moscow by defence secretary Malcolm Rifkind, Russians will receive lessons in how to set up redundant officers happily in Civvy Street.

So, after many years teaching citizens of developing countries how to fight communism, Britain will now be training post-Soviet Russians how to be civilians.

Former communist party likely to be asked to assemble new coalition Polish politicians seek partners



Election celebration for former government spokesman Jerzy Urban

By Christopher Bobinski
in Warsaw

POLAND'S politicians yesterday began a search for government coalition partners following Sunday's election victory by the former communist Left Democratic Alliance (SLD), which won a fifth of the votes and more than a third of the seats in the lower house of parliament.

Preliminary results put the farmers' PSL movement into second place with a 15 per cent share of the vote. This party, which collaborated with the communists in the postwar years, is the dominant force in rural areas where 40 per cent of Poland's voters live and work.

Final results giving a breakdown of the 460 seats are expected tomorrow and it is then that President Lech Walesa will name a party leader to form the next government. He has already stated that he will choose the largest single party, although he has no constitutional obligation to do so.

Yesterday Mr Alexander Kwasniewski, the 39-year-old leader of the SLD said that he was "elastic" about possible talks with coalition partners. But he made no secret of the fact that he would prefer to work in the next government with the Democratic Union (UD), a mainstream Solidarity-based party which won only 10.5 per cent of the vote.

According to one western banker in Warsaw, a coalition between the UD and the SLD would provide guarantees "that

privatisation would continue, maybe in a slightly different form with possibly a greater accent on employee buy-outs. The rural-based PSL is regarded as the most suspicious of privatisation.

Leaders of the UD met last night to discuss their next move. Earlier in the day, however, many reacted to the initial election results with talk of going into opposition and leaving responsibility for the next government in the hands of the PSL and the SLD.

Poles in general yesterday greeted the news of the victory by parties with a communist past, and foreign exchange vendors reported no signs of a rush to purchase currency in response to fears of higher inflation. Demand remained strong on the Warsaw stock exchange, albeit at a lower price level. The WIG indicator fell by six points.

About 52 per cent of the 25m electorate voted compared to a 43 per cent turnout in the last elections in the autumn of 1991.

In London Poland's commercial bank debt traded at 36½ cents to the US dollar on the secondary market, falling slightly by three-eighths of a point on Friday's price as the market decided that chances of a successful conclusion to debt reduction talks with western commercial banks remained high in spite of the election results.

Reform warning:
Kwasniewski profile, Page 2
Editorial Comment, Page 15

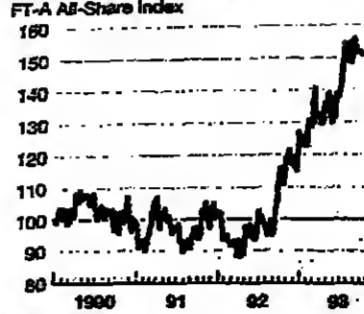
THE LEX COLUMN

Private anxieties

FT-SE Index: 3004.5 (-1.0)

MAI

Share price relative to the FT-SE All-Share Index



Source: FT Graphs

On first reading, the omens for France's privatisation programme are encouraging. The Paris equity market stands a shade below the new high reached last month. Money markets are anticipating steady interest rate cuts, albeit at a pace dictated by the Bundesbank. French companies appear enthusiastic participants in alliances engineered by government, such as Saint-Gobain and CAP in the case of BNP, the first on the block. Such cross-holdings will ease the burden on the stock market.

But without a system of big funded pension schemes to support privatisation, France must persuade its retail investors to switch savings out of money market instruments into equities. Recently traffic has been in the opposite direction. An appeal to patriotic sentiment helped make a success of the Balladur bond, but that instrument was blessed with a healthy yield. It is difficult to envisage large scale transfers into equities while money market rates remain high. International investors might equally lose faith in French equities if lower interest rates are not seen to be the main ingredient of the policy mix.

True, the government has good reasons for not cutting rates while its reserves are depleted, for fear of leaving the franc exposed. The natural assumption is that recession and rising unemployment leave no alternative but to cut rates as fast as the currency allows. The danger is that such an assumption reflects a peculiarly Anglo-Saxon reading of the available options. Yesterday's edict against public sector job cuts, like the revolt against Blair House, underlines that there is more than one way to skin a cat.

borrow freely in the wholesale markets, can earn a handsome margin. That they devoted little effort to retaining retail deposits as interest rates came down suggests their current behaviour is more opportunistic than a systematic attempt to increase market share.

Presumably the banks would lose interest in mortgage lending if base rates went up and their margins were eroded. That would also see a flow of savings deposits return to the building societies. They can afford to wait: their mutual status means they are not obliged to deliver constant growth. The slight improvement in the housing market even seems to have slowed the consolidation process down. Only three mergers have been completed this year compared with five in 1992 and seven in 1991.

Morgan Crucible

After more than £200m of rights issues since 1989, it comes as a relief to discover that Morgan Crucible can finally generate some cash. Since the Holt Lloyd car-care business is also suddenly making much larger profits, it should turn out to be worth more than the £50m or so of disposal proceeds previously pencilled in. Once it is sold, the rights issue fears which have held the shares back should be a thing of the past.

That, at least, was yesterday's market reading. The danger is that, having been down on the company for so long, sentiment will swing too far in the other direction. That Morgan managed a £24m reduction in working capital during a period when sales rose nearly 20 per cent suggests that man-

agement tolerated a lax approach in the past. Other features of its interim results suggest the business is being run with an eye to cash. The more limited use of provisions, though, may simply reflect a dearth of new acquisitions. Morgan's bad old habits could quickly reassert themselves once gearing pressures are lifted.

From this perspective, any sale of Holt Lloyd could turn out a mixed blessing. Not only is it likely to be dilutive, without Holt Lloyd underlying operating profits would not even have risen by 1 per cent. Since trading conditions look set to remain lacklustre in Morgan's main markets, the temptation may be to go for something flashy - and risky - in a new activity or location. Once it has sold Holt Lloyd, Morgan Crucible must show it can use its new freedom wisely.

MAI

From the outside, MAI looks like an enigma wrapped in a money broker. In an industry notorious for its volatility, MAI has a very consistent track record. Diversification is frequently the death knell for a focused business. Yet the cash thrown off by MAI's money broking machine has been invested in industries from television to debt collection, and the company continues to do well. MAI even has a property division, whose concentration on prime locations and top quality covenants was well timed, making the investment a quasi-financial asset and home for part of the company's cash pile. The management has skillfully kept this collection of disparate plates spinning, as the market has recognised in its rating of the stock over the past year.

Perhaps the unifying characteristic of the businesses is no more than that MAI's management feels it understands them well. If so, then at least the board is playing to its strengths. There are problems - the insurance company Safeguard, for example, is being mauled by direct insurance sales, and will find it hard to become competitive. But then, Meridian, which has the southern ITV franchise, will move into profit soon. The company has ambitions in media and value-added information services which pitch it against stiff competition. Yet it still pursues opportunistic value investments like Intrum Justitia. At some point, a limit to management resources may force it to choose which path it wishes to tread. Fortunately, that moment has yet to arrive.

Finns to debate new nuclear plant

By Hugh Carnegie,
recently in Helsinki

EUROPEAN energy industry leaders and environmentalists will be watching the Finnish parliament closely today as debate opens on whether to approve construction of a nuclear power plant.

The project, one of a few of its kind in Europe, has become the focus for wider arguments over the merits of nuclear power. Within Finland, it has prompted sharp debate in recent years, with the outcome of a free vote by MPs due on Friday still uncertain.

Commercial interests are watching developments closely.

Bids to build the proposed FM10bn-FM15bn (\$1.75bn-\$2.62bn) plant have already been received from ABB Atom of Sweden, Atomenergoprom of Russia and SPP, a consortium formed by Siemens of Germany and Framatome of France.

Finland already has four nuclear reactors, built in the 1970s, with a total capacity of 2,300MW. They supply about a third of the country's electricity needs. Two, at Loviisa, east of Helsinki, are Soviet-made pressurised water reactors with Finnish control systems. The other two are Swedish-built boiling water reactors at Olkiluoto, on the south-west coast.

In 1975, talks began on building

a fifth reactor of about 1,000MW capacity at one of the existing sites. By 1986 the authorities were close to giving the go-ahead when the Chernobyl nuclear accident led to radioactive fallout over Finland.

The project was frozen until two years ago. The cabinet finally gave its assent, by an 11-6 vote, in February, but that only intensified a debate which has split the two largest parties, the governing Centre party and the opposition Social Democrats.

Mr Markku Nurmi, a member of the national Energy Policy Council, says Finland should not buck the international trend away from nuclear power. He rejects projections showing

steeply rising demand for electricity as outdated.

But Mr Juhani Santaholma, head of the nuclear power utility Pevo, says electricity consumption has gone on rising in spite of a fall in overall energy consumption resulting from recession and several mild winters. He insists that demand will rise significantly and that a new nuclear plant is the only realistic way of bridging the gap.

Finland's energy-thirsty and powerful forestry industry is behind Pevo, as are the unions. But the anti-nuclear camp has some key supporters of its own, including Mr Esko Aho, prime minister and leader of the Centre party.

Middle East aid call

Continued from Page 1

and in need of basic economic and community development.

A World Bank study has estimated the immediate infrastructure investment requirements at \$3bn over the next eight years, while the PLO's own development programme envisages at least \$2bn a year in the first two years to help rebuild the area's economy.

Mr Christopher has already been in contact with other countries, including Japan, about the

donors' conference. The Japanese government is considering contributing \$100m a year to Palestinian communities, according to weekend press reports.

Mr Christopher's speech yesterday was the first in a series planned over the next week as an explanation of Mr Clinton's foreign policy.

Mr Clinton himself is scheduled to address the UN General Assembly next Monday in what is expected to be his most comprehensive foreign policy statement since taking office.

German coalition meets

Continued from Page 1

"Instead of a Party" - which won eight seats in the city parliament with 5.6 per cent of the vote, although it has no political platform.

The extreme rightwing parties, the Republicans and German People's Union (DPU) split the far right vote, leaving neither with enough support to win seats - to the universal relief of the main parties. The Republicans gained 4.8 per cent, just 1,430 votes short of the 5 per

cent level required. All the protest parties won a disproportionate amount of support from younger voters, and again Mr Kohl's CDU performed particularly badly. In every age group up to 45, the Greens polled better than the CDU, according to the opinion research group Infas.

The Republicans, supported clearly by more men than women, also did well among voters under 24 - gaining some 12 per cent support. The Statt Partei attracted mainly dissident middle class CDU voters.

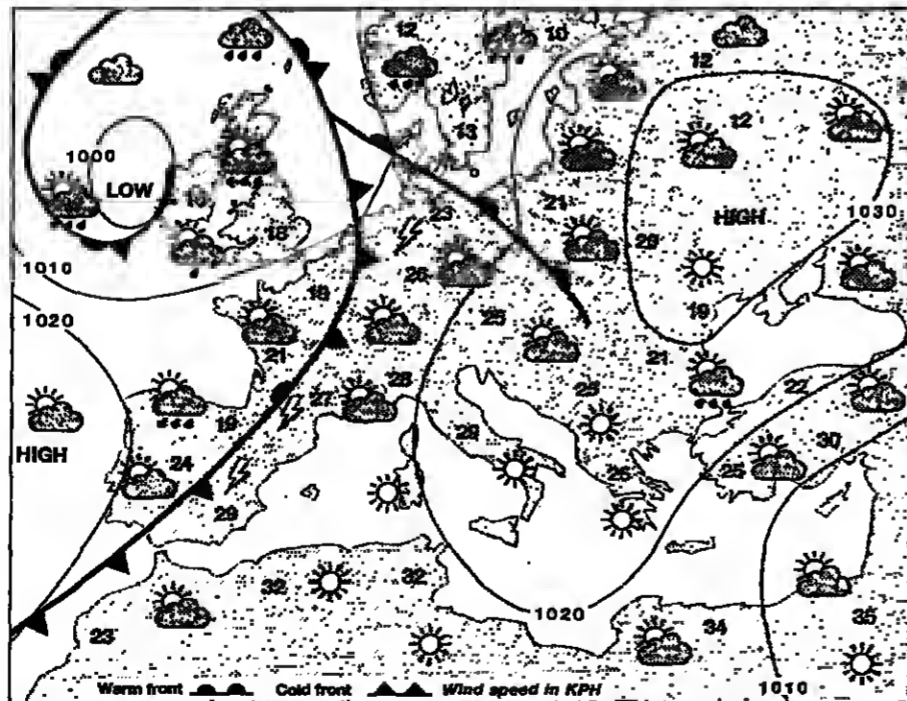
FT WORLD WEATHER

Europe today

The British Isles will have a mixture of cloud and sunshine with showers, especially in the west. Thunder showers will develop along a frontal zone over north-east Spain, France, the Low Countries and western Germany. Ahead of the front, it will be warm with afternoon temperatures exceeding 25C. Norway will have rain associated with the front. Elsewhere in Scandinavia, there will be sunny spells. Eastern Europe will be dry with sunny periods. South-eastern Europe will be mainly sunny under a high pressure area. The warmest spot will be southern Italy with afternoon temperatures up to 30C.

Five-day forecast

Showers will continue to develop over the British Isles. From Friday a new depression will bring overcast and rainy conditions to the UK. Western Europe will have sunny spells and a few showers moving in from the west. A frontal zone will move east causing thunder showers. On Wednesday and Thursday, showers will mainly fall over eastern France, the Alps and Italy, and by Friday over Poland. North-west Spain will remain unseasonably cool with some showers. South-eastern Europe will stay rather sunny and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum	Belfast	showers	16	Cardiff	showers	16	Frankfurt	fair	25	Malta	sun	30	Rio	fair	22
Catania	Belgrade	sun	24	Chicago	fair	21	Geneva	fair	23	Manchester	showers	18	Riyadh	fair	40
Abu Dhabi	Berlin	sun	27	Cologne	thund	23	Gibraltar	fair	27	Madrid	cloudy	28	Rome	sun	28
Accra	Bombay	sun	40	D. Salazar	thund	30	Glasgow	rain	16	Melbourne	fair	14	S. Frisco	fair	21
Algiers	Bombay	sun	32	Dakar	fair	31	Hamburg	fair	23	Mexico City	fair	20	Seoul	fair	27
Amsterdam	Bombay	cloudy	31	Dakar	thund	31	Helsinki	fair	24	Miami	sun	31	Singapore	thund	31
Athens	Brussels	rain	21	Dahli	fair	35	Hong Kong	fair	31	Milan	fair	28	Stockholm	fair	16
B. Aires	Budapest	fair	21	Dubai	sun	38	Honolulu	fair	31	Montreal	fair	18	Strasbourg	thund	25
Bham	C. Jagan	cloudy	20	Dublin	showers	19	Istanbul	sun	22	Moscow	cloudy	11	Sydney	fair	21
Bangkok	Cairo	sun	35	Dubrovnik	fair	26	Jersey	rain	17	Munich	fair	26	Taipei	sun	25
Barcelona	Cape Town	fair	25	Edinburgh	showers	18	Karachi	fair	33	Nairobi	fair	29	Tel Aviv	sun	32
Beijing	Casaca	showers	29	Faro	fair	26	Kuwait	fair	42	Naples	sun	30	Tokyo	showers	29
							L. Angeles	fair	23	Nassau	thund	38	Toronto	showers	17
							Las Palmas	sun	27	New York	sun	20	Tunis	sun	32
							Lima	cloudy	20	Nice	fair	28	Vancouver	sun	18
							Lisbon	fair	21	Nicosia	fair	32	Verde	fair	28
							London	showers	19	Oslo	cloudy	13	Vienna	fair	23
							Luxembourg	thund	20	Paris	rain	18	Warsaw	fair	20
							Lyon	thund	25	Perth	fair	18	Washington	showers	24
							Madrid	fair	23	Prague	fair	25	Wellington	showers	10
							Manila	fair	25	Rangoon	showers	32	Winnipeg	fair	19
							Majorca	rain	29	Reykjavik	rain	11	Zurich	fair	25



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USING COMPUTERS IN BUSINESS

Tuesday September 21 1993

THE COMPUTER used to be a special machine, tended by special people, in a special place. Not any more. It is comparatively rare to come across a business, however small, whose participants do not use computers in some way, or cannot see the benefit of doing so.

A much-quoted estimate, attributed to the US Environmental Protection Agency, suggests that by the year 2000, computers will account for the consumption of nearly 10 per cent of all electricity.

For many companies, the computer has moved to the centre of the business, an assertion that software suppliers (particularly of database and decision-support products) are fond of making. At the core of organisations such as banks, insurance and building societies is the information they hold on customers. Such businesses simply cannot function without computers.

Yet despite moving to the centre of activity, computerisation has become less centralised. Not so long ago, computers were distant, and personal contact with them rare. A vista of terminals, glimpsed through a basement window in the city centre was as close as most people came to computers.

Now, in every high street, ordinary people can be seen perched at their PCs. Call into a tiny back-street insurance broker, and the assistant can bring up a choice of policies up on a PC screen within minutes.

Anyone who uses a high-street cash dispenser interacts with a computer, but it is increasingly likely that using the computer also forms a part of the working day, as with the broker's clerk. For the people with whom he or she deals by telephone, in the insurance company itself, the computer may define the entire job.

Systems, like people, have a natural life cycle, and the advances in technology are making it possible for systems to live longer. In the last few years, such developments as graphical user interfaces (GUIs) have made computers easier to use. You, the user, have to fulfil the other side of the bargain, which is that using a computer



CONTRASTING SYSTEMS, falling prices: In 40 years, the computer industry has kept forward from the IBM valve computer (pictured left, in 1954 in its special floor-cooled room), to today's "all-singing, all-dancing" PC network, shown above, running at a fraction of the cost of early number-crunching computer systems. The software demonstrated here is PictureTel Corporation's Live PCS 100, which integrates the telephone with the personal computer. This adds global video-conferencing to the activities on the screen in full-colour and motion.

Big change in users' expectations

New developments have made business systems easier to use. Some tasks may have been de-skilled, but users are expected to become ever more versatile in return, argues Claire Gooding

must become just one of a battery of quotidian skills, as mundane as using the telephone.

This "democratisation" of computing, as it has been called, brings a new set of pressures to both end-users and the organisations employing them. These are very different from the traditional information technology (IT) concerns such as speed of response and control of users. They include portability of software and skills, the rapid falling of hardware prices, and, with the spread of the user-base, ergonomics and health and safety.

Companies are also waking up to cost issues such as electricity consumption. Analysts have estimated that unused systems, left on across Europe

overnight, consume the output of two power stations.

In reaction, Siemens-Nixdorf has produced the PCD-4L, "the Green PC," which can switch itself off if necessary. Thoroughly environmentally friendly, it needs a special monitor to maximise the benefit from all the power savings, which can be as high as 250,000 for 2,000 users.

While environmental concern is a 'must' in the US, it may take 10-15 years to percolate through to the UK, according to Jennifer Parry, industry marketing manager for Siemens Nixdorf PC business unit. "I don't think UK corporate decisions take into account environmental issues as much as in other European countries," she

says. "Senior managers are not really aware yet: it's a whole cultural phenomenon because computers have not - until now - been prolific."

Users' expectations of systems have changed, raised by the apparent accessibility of the PC and its ease-of-use. Boardrooms, used to spending millions annually on preserving their computer power, are asking for more in return. Some of the technical issues appear to be approaching resolution in a shake-down that has affected the entire industry.

Open systems have already forced down the price of hardware. Software is becoming more portable and easier to use with object-oriented computing, and everything - hardware,

software, systems software - has to be integrated. "Computer shall talk unto computer, and the PC shall lie down with the mainframe," says an industry analyst - and this puts pressure on software and hardware suppliers.

With margins cut and competition fierce, suppliers are looking for new sources of revenue and dependency from user organisations. Suppliers who were once easily tagged as hardware manufacturers, software houses or consultancies are now scrambling for new areas of business, including systems integration and support, and business process re-engineering.

In recognition of the new order, older mainframe systems

have become known as "legacy" systems. Such systems are still at the heart of most large organisations and they have a life cycle of their own. Now included in that life are developments such as the "disaster recovery" centre, a development forced upon occupants of larger cities following recent terrorist attacks.

Another significant trend is towards facilities management, (FM) or outsourcing. In some cases this can be likened to putting ancient systems "into a home." In FM, the legacy systems get handed over to experts, while the user company is freed to concentrate on its core business, often developing new, more flexible client-server systems, based on small-

er, less expensive computers. In recent US contracts, one leading supplier, EDS, has approached IT facilities as potential profit centres, taking a proportion of savings/profit as its payment.

A number of hardware manufacturers have diversified. Many have entered into "partnerships" with software suppliers. Unisys, once wholly a hardware manufacturer, now frankly claims to be an impartial advisor to its users, in competition with traditional consultancies.

All service providers may profit from the distributed support needed by the heterogeneous networked systems brought about by "downsizing." Support costs have not disap-

peared, but they have been dispersed. The responsibility for support and control appear to be devolving too, and the user is expected to do some of the tuning, the maintenance, and the backup that was once managed by specialists.

In effect, we all have to become more skilled, to cope with systems that can themselves do more. Technology is producing systems which "de-skill" specific tasks, but demand more diverse skills from users. Desktop publishing (DTP) provides one good example of this: one small system in the corner, acquired for presentations or the newsletter gradually expands its use, but only a few in the office really understand it. Even they only use a fraction of the software.

Another example comes from Rank Xerox's recently launched colour photocopier, which brings astonishingly faithful colour reproduction in-house. Its mastery actually takes some time, but before long, people will take it for granted as they do the mono photocopier, which once needed a one-day training course.

Anyone, anywhere, is now a potential computer user. Portable and remote computing has become part of the daily pattern of business. The executive who once got information from subordinates is now as likely to get daily facts from a laptop.

For example, VAG, part of the Volkswagen group, has implemented an entire sales information system based on Pilot's LightShip, which has re-structured the entire business around home-working sales managers. But business process re-engineering, as many a redundant British Telecom

Continued on next page

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USING COMPUTERS IN BUSINESS 2

Suddenly the phrase 'business process re-engineering' is on the lips of every computer industry pundit, writes Claire Gooding

IT SOUNDS innocuous, abstract even, but the term "business process re-engineering" (or BPR, for short) can mean losing your job. Unless, of course, you are a BPR consultant.

Definition of the phrase varies, but many of the people who have been through the process seem to agree about two things. One is that they only discover the buzzword "BPR" only after they have been through the process, and then recognise that business process re-engineering is a description of what they have done.

The other definition - much more grim - is that business efficiency usually means making people redundant. "Lean and mean" is a phrase that echoes from another decade, but it sums up the essence of BPR.

Business process re-engineering really means re-examining an organisation and its operations. It is a matter of establishing what is at the core of the business, what

The concept can radically change an organisation and its efficiency levels

makes a profit, what can be sacrificed.

First, why do it? The conditions in which most businesses operate have changed, and the rate of change seems ever faster. Product cycles are shorter, margins are being cut, once faithful customers are offered with a wider range of choices. Once a business is up and running, people rarely think about how to change it because they are simply too busy running it. Doing more of the same is easier than

accepting the need for change. So far, not a word about information technology - that is as it should be, because the process starts with the business, not the technology. But running a business more efficiently and with fewer resources inevitably involves technology. For all the organisations who volunteered their stories for this survey, getting the IT right was a large part of the equation.

The role of IT can be in the actual organisation and administration of a company, where such tools as electronic mail, workflow systems and document image processing can make a difference. More often, the process is an intense self-examination which turns the spotlight outside the organisation itself to the needs of the customer.

Several building societies are among organisations which have used BPR to effect. They are exemplary because of the changing pressures upon their particular market sector: competition with banks, the property recession, fierce competition, and a foray into estate agencies which has been a disastrous experiment for some.

For them, as for insurance and banking companies, the computer system has become the essence of what they do. Flexibility, the need to adapt and keep adapting, is vital. The TSB recently carried out research which is having a fundamental effect on it business. It discovered that customers cared very little about the locality of branches, and were quite happy to have a wider range of services delivered by an "impersonal" automatic telling machine (ATM).

Pilot projects in Watford and Tyneside are already proving the point. Another project arising from the self-examination is a centralised customer database that will keep and relate all customer details. TSB wants contact with the customer at one point, so that customers do not get different communications from various sections of TSB concerning



First Direct, above, the first UK remote banking service. Its success has forced other banks and building societies, such as TSB, to re-examine their own processes to improve efficiency and offer enlarged services to users, some by telephone, some via automatic telling machines (ATMs).

BUSINESS PROCESS RE-ENGINEERING

New ways to become lean and mean

mortgage, insurance, savings, and so on. This will save form-filling, and enable TSB to offer services such as the single centralised "financial health" statement.

By relating products and people, it is already able to offer a Family Savings bonus, a unique offering according to TSB's marketing director Mike Sommers. Keeping costs down is one of the drivers of the project - "it's a critical issue for all service companies to find a lower cost method of delivering a similar

or better level of customer service," says Mr Sommers.

In fact, we can offer a better personal relationship at a lower cost by using technology, from its simplest applications - the telephone - right up to the sophisticated applications of expert systems.

Behind the message of efficiency and centralisation is another (less explicit) saving on manpower.

At Bradford and Bingley, there has been an equal concern to respond quickly to changing oppor-

tunities in the marketplace. Bradford and Bingley has been through an re-engineering exercise with the help of Computer Sciences, whose management consultancy division CSC Index claims to have evolved the doctrine.

The chairman of CSC Index is James Champy, joint author (with MIT professor Michael Hammer) of the book *Re-engineering the Corporation*. Champy is credited with having invented the phrase "business re-engineering," and has regis-

tered the term in the US.

In a very similar exercise to TSB's, the project at Bradford and Bingley has been to provide a customer-based administration system, CBAS. The process of re-engineering started with the identification and analysis of 220 discrete business entities. These are brought together in a single database, with associated marketing and business applications, which now supports the core business of retail financial services with over 33 business processes and 390 separate functions.

Index is sensitive to the "human resource element" of re-engineering, known bluntly elsewhere as unemployment. Aware of the potentially disastrous effects on staff morale, it offers a special computer-lab for modelling the effects of the exercise on personnel, with the idea of avoiding trauma by redeployment wherever possible.

Yet another term, "enterprise engineering," comes from the long-established industry pundit, Dr James Martin, chairman of James Martin and Co.

"Business re-engineering will only deliver its promises if it radically changes the organisation and all those who interact with it," says Mr Martin.

"To do this, managers need to take a holistic view of an organisation - looking at strategy, process, technology and people - to create new ways to add value, improve quality, and ultimately gain customer satisfaction."

Software companies and consultants have been quick to react by producing appropriate tools and methodologies. One system, now in use at insurance company Sun Alliance, is SES Workbench, a graphical tool for modelling business processes. From Scientific Engineering Software UK in Abingdon, it is used to model business projects and products in detail, including the software and hardware underlying them, and they way they behave under different workloads.

Even more specialised, software supplier JBA, a specialist in applications for the IBM AS400, has evolved a methodology called "co-existent manufacturing." This has evolved from customer-based systems in the food and drink industry, striving for more streamlined, same-day delivery.

According to Susan Lock, international business development manager at JBS International, "every layer of an organisation can really contribute to the notion of customer service and to the needs of the market."

One sad example of a company that has failed to attune itself to new conditions comes from the computer business itself. The world's largest computer manufacturer, IBM, is now faced with gross overmanning, and an overhaul of its fundamental thinking.

Other computer manufacturers, such as Unisys, Olivetti, and Siemens-Nixdorf, have accepted that selling "boxes" is no longer profitable enough. They have diversified into such areas as service and facilities management, applications consultancy, and are even keen to be seen as independent consultants.

In the case of Unisys, this means not only competing with the better established consultants such as AA

Computer software companies have been quick to produce appropriate tools

(Arthur Andersen), but accepting that it might be obliged to recommend equipment other than its own where that is the best solution in the circumstances.

Business process re-engineering seems to be a direct descendant of "Organisation and Management" studies of activity and costs, done for the health and continued development of the organisation. But it has two extra tools hidden behind the clipboard. One is a computer - the other is an axe.

DOWNSIZING

A case of horses for courses

After the rush to 'downsize', the computer industry now talks about 'rightsizing' as the solution to the conflict between mainframe and PC technology, says Philip Manchester

At the dawn of the micro-processor age, Professor Edsger Dijkstra, one of the great pioneers of computing, said that he could not understand the euphoria about the new technology. He was especially confused by the financial justification for its

appeal. In a controversial speech to the 1977 IFIPS meeting, Professor Dijkstra said: "A quarter of a century ago we were told that computers were so expensive because they were so great. Now we are told that microcomputers are great because they are so cheap!"

This argument is still used today to persuade computer users to throw out their big, old, expensive computers and replace them with small, new, cheap ones. Known as 'downsizing', it promises, once again, to produce better information technology systems cheaper and quicker than before.

The catch is, as Professor Dijkstra suspected, that replac-

ing a large, central computer resource with many smaller, distributed computers is not a simple task. Downsizing may well bring benefits in the form of better user interfaces and

Whether the best solution is 'downsizing' or 'rightsizing' either way it costs money

exciting new applications like multimedia and workgroup computing.

The essence of these applications, of course, is the distribution of computer power to where it is needed to support business functions. Down-

sizing has been caught up in this because of the dramatic difference in hardware costs between mainframe and PCs. The real issue is to find the right sized system to support the function.

Increasingly, therefore, the industry talks about 'rightsizing' as the solution to the conflict between mainframe and PC technology. Either way it costs money. The savings which come from using PC hardware technology can easily be consumed by software integration, communications and training costs. This often means that a 'downsized' system might not save as much the low hardware costs would indicate. This is a strong argu-

ment for mainframe users to carry on as before.

Mainframe manufacturers argue that users can gain the benefits of modern technology by replacing their text-based terminals with PCs and keep the mainframe as a central database server.

Indeed, this is the route that most medium to large corporations have chosen and is a good example of 'rightsizing'. They can satisfy their users demand for better front-end interfaces, while keeping control over their central data resources. The front end of the system is 'downsized' but the back end remains on the big mainframe.

There is a strong argument, however, that the mainframe's role as a central server will also disappear to be replaced by banks of high-performance, 'super-servers' based on multiple PCs.

"The way things are going, you can see a finite life for the mainframe. PC or 'bottom-end' computing power is increasing at a phenomenal rate," says Steve Crawley, product manager with PC builder AST Europe.

While he acknowledges that mainframe still possesses an important edge, Mr Crawley sees it as only a matter of time before PC technology catches up and overtakes current mainframe technology.

Currently the mainframe's edge comes from an important difference in design. Mainframes have a mechanism called a channel which lets them move data around inside the computer much more quickly than current PCs. This is especially important in large systems like those used for flight reservations or banking, but it applies to any business system where many users need access to the same database.

PCs are designed differently. In place of a channel they have a 'bus' for moving data

around inside. This means that, while a PC processor may be as powerful as a mainframe, it is not well-suited to traditional data processing.

This can be solved by re-designing the PC, of course. But the need for compatibility between successive generations of PC has meant that progress towards a faster bus has been held back.

New standards for faster bus speeds promise to break down this barrier, however. This will let the PC compete with the mainframe on equal terms.

"The need for compatibility has held back the technology in some ways. But we are approaching a time with the new standards where this is going to change. Intel's PCI and VL bus standard open up the potential for much faster PCs," says Mr Crawley.

AST, in common with other PC manufacturers, is working towards multiple processor systems which can harness the power of several microprocessors.

Mr Crawley says that such systems make it possible to offer equivalent performance, storage capacity and reliability as a mainframe. "Our Manhattan 'super server' brings

multiple processors together with new storage technologies to create a viable competitor to a mainframe system," he says.

He goes on to add that such systems can be made as reliable as a mainframe by duplicating components and functions. The processors are relatively cheap, so such systems can be engineered with 'redundant' components to ensure reliability.

Mr Crawley also dismisses criticisms that the problems of co-ordinating software in multiple processor systems: "All sorts of people are working on this problem with some success. Compaq and ourselves are doing a lot of work. And so is Microsoft with its NT operating system and Novell with its Netware product. Both of these are dripping with network management features," he asserts.

There is no doubt that, in

the short term, the mainframe will continue to occupy an important role in business systems. There are certain processes - like the administration of large numerical databases - which it performs adequately and, sometimes, well.

More important, most businesses have enormous investment in their mainframe systems and cannot afford to replace them.

PC superservers pose a real threat, however, and over the next few years as bus bandwidth and processor speeds both increase, they will be able to match and overtake mainframe systems.

Ironically, the PC super-server will not look much different to what we now call a mainframe. Perhaps, the distinction will disappear altogether and it won't matter what they are called - as long as they are cheap.

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Users' frustration

Continued from previous page:

manager will affirm, is often a matter of shedding middle managers and improving the workflow between those who remain.

Around a quarter of the UK workforce, 5.5m people, now use IT in their work, according to a recent report by West London Training Enterprise Council. The report, *IT Skills in the 90s: Overcoming Obstacles to Growth*, suggests that a national shortage of IT skills in the UK is threatening economic recovery. Although the number of IT users are expected to double in the next few years, there is little, if any, central IT strategy.

"There is no consensus on who needs what skills - and why," says Marco Capp, a one-time partner in the Coopers & Lybrand consultancy who now advises the IT Skills Forum set up by the West London TEC. Training cannot help until there is some clear definition

of the key skills needed, although Marco Capp points out that new developments such as multimedia might help.

He tells a story of a leading pharmaceutical company whose ancient stock system often got out of step with the shop floor. A rewrite of something so fundamental was out of the question, but a concentrated training effort, centred on a £200,000 multimedia programme, gave it a new lease of life - "a normal training course could cost hundreds of pounds per person, but that cost a mere £70 per head in getting 3,000 people up to speed in one system."

The basic problem, he says, is that companies are frustrated - "they feel they are not getting a lot out of what they have spent."

IT skills in the 90s: *Overcoming Obstacles to Growth*, £25 for management summary, £25 for full report, from West London TEC, Tel 081 577 1010.

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CLIENT/SERVER SYSTEMS

New name for an old idea

Although the client/server concept has emerged only recently, it is based on well-established ideas of how computer power can be distributed effectively for better business systems, says Philip Manchester

There are few new ideas in information technology - only variations on well-known themes. Despite outward appearances, the advance of information technology is usually gradual and evolutionary. There are, of course, occasional "great leaps forward" like microprocessor chip fabrication technology or the relational database. But mostly, progress is slow. Users cannot afford to throw out technology and systems in which they have invested much effort and large amounts of money. So they stick to what they know until the pressure to change is irresistible.

The client/server model - a design approach for building IT systems using networked computers - is central to the shift away from central mainframe-based computing to distributed systems. The client/server model separates the functions of an IT system and distributes them across several computers. Client computers - typically PCs or workstations - provide a "friendly" front end and some local processing features. Server computers, located elsewhere in the network, provide services such as database storage, electronic mail and transaction processing.

The big advantage is that client/server lets us re-design how people work

The main advantage of the client/server model is that each component computer can be built to suit the specific tasks it is expected to handle. Front-end workstations and PCs can be equipped with graphics-based "windowing" software to make them easier to use. Server computers can be optimized to access large databases or handle many transactions simultaneously.

approach to its systems design since the early 1980s and evolved gradually to a client/server system. It has always been a large user of computer power since it was founded in 1968 as the first "telephone bank". But in the late 1970s, Girobank needed a fundamental re-appraisal of its IT systems: "We needed to re-think the systems infrastructure and knew we would have to replace all of our core systems," explains Mr Paul Podesta, facilities and logistics manager at Girobank.

The demands of telephone banking meant that Girobank needed a system which was 100 per cent reliable, 24 hours a day. It had relied on ICL mainframes through the 1970s but decided to move away from a single, central computer to a distributed network.

accounting. The Tandem computers act as clients to the mainframe system. The PCs, running Microsoft's Windows, are being used as the front end - or client - for some applications.

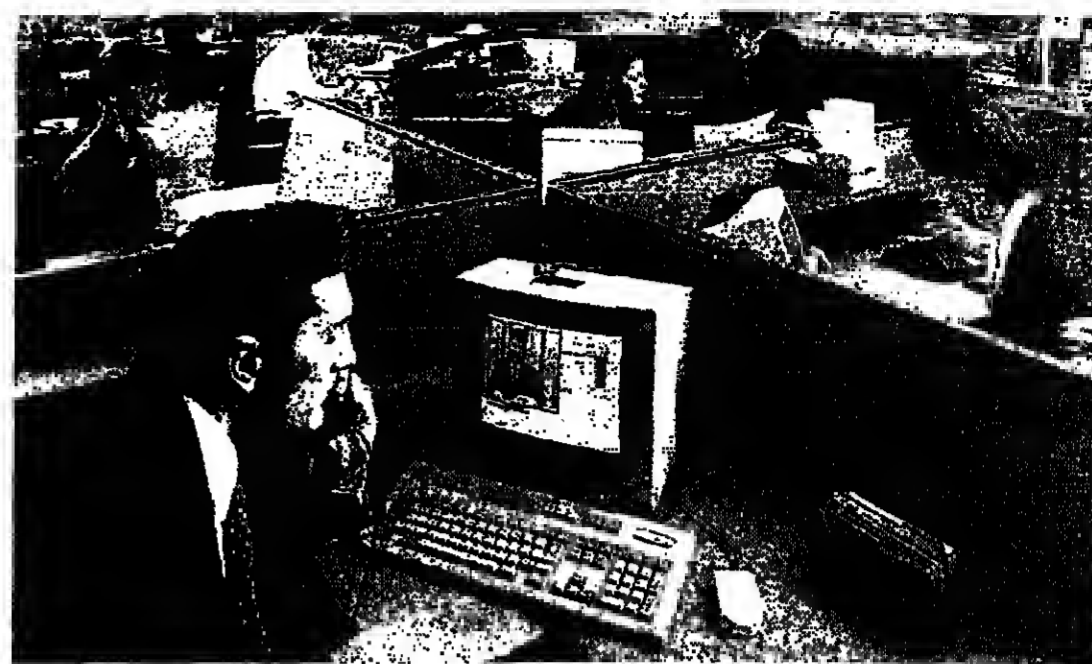
"We have invested in the PCs for their productivity benefits. It gives our users access to the 'warehouse' of data on the larger systems," says Mr Podesta.

The choice of Tandem systems has helped to ease the move to client/server computing. The Tandem software uses a technique called requestor/server which is very similar to client/server. Both the requester and the server can be on the same computer - although they are separate software components.

"We have a consistent user interface across all of our applications and it has helped us to re-use software. A piece of server software can be called by many different client processes. The Tandem design enforces a structure which lends itself to re-usability."

"This makes the journey to client/server much easier," Girobank is well-positioned to move to the next stage and distribute more of its business logic to the network.

To make this move, Girobank needs the right tools and Mr Podesta currently sees this as a barrier - "the complexity is daunting in a large system. Small organisations can do it with a few PCs and a local area network. But it is much more difficult with a large organisation and the tools always lag behind the operating software and the hardware."



In the long-term, client/server systems help to provide better business systems. An application area shown here is BT's PC-based video-phone, which is designed to revolutionise business communications in the next decade

tion and the tools always lag behind the operating software and the hardware."

He adds that it is still early in the development of large-scale client/server systems and design techniques have still to evolve: "We don't know what questions you need to ask when you design a client/server system. There is no body of knowledge to turn to so it will be a while before the tools are mature enough."

This in no way lessens Mr Podesta's enthusiasm for the client/server approach, however. "The real driving force is that client/server lets us

re-design how people work. In the past we have built computer systems which implement sequential processes, changed the work to fit in with that and fragmented people's jobs."

"An accounts clerk used to work with pieces of paper - ledgers and so forth. Then the comptometer came along and took part of that job elsewhere. Computers have taken it even further."

"With client/server we can bring it all back together."

benefits are in the user area not within the IT department.

"The labour costs associated with distributed systems are higher - even though the capital cost of the hardware is lower. The users have to do more for themselves and they need support and training."

The long-term benefits which will come from client/server systems are related to their ability to produce better-designed and more useful business systems. Pioneers have begun to realise some of these benefits and Girobank, at least, is confident that there will be more to come.

WORKGROUP COMPUTING AND GROUPWARE

The pickaxe and the PC

Disturbing statistics indicate a high level of inefficiency through lost information in the average office, reports Claire Gooding

FOR future reference, file this FT survey somewhere safe, somewhere obvious. People waste a total of six weeks a year trying to find misplaced documents, according to a recent survey of 200 executives by Xerox Corporation.

According to Xerox "collaboration is an instinctive foundation of our natural work processes", but currently, it doesn't seem to work that well. There are more disturbing statistics. They say that 50 per cent of projects are behind schedule, 60 per cent of an office worker's time is spent working with documents, and the average worker has 36

ity by linking people who are focused on a task which can be anything from a one-off project to an everyday process.

One person can work simultaneously on different projects, and belong to several workgroups. This is an extension of the "message groups" long used in electronic mail (email). In fact, electronic mail is the basic ingredient of much workgroup software. Instead of dealing simply with messages originated by one person to another or to a group, the email principle is extended to embrace documents, spreadsheets, and any other form of information people need to pass to one another.

"Groupware" is a general term which brings under one umbrella a number of functions that may well have been managed in separate software tools, such as diary management, decision support, project management, conferencing, scheduling, and database access.

Groupware's role is not only in the dissemination of information throughout one building, but in crossing other barriers - the more physical and geographic ones of distance and "time windows."

This is becoming more important as organisations look for harmony across different countries in their IT strategies.

One of the problems of an email system is that it too can become a "closed shop," a cosy environment which builds its own walls, excluding anyone that doesn't have the right sort of terminal or PC.

It follows that a true "workgroup" solution must be able to embrace any sort of technology already in use, and allow users to link in different sorts of hardware.

The advantage of this is that the links can be extended outside the organisation itself. A good example of how barriers can be transcended comes from within the software industry itself.

Software 2000, the supplier of accounting packages for the AS400 IBM computer, is supplying software updates to its users for the latest version via the Lotus Notes package for Lotus Development.

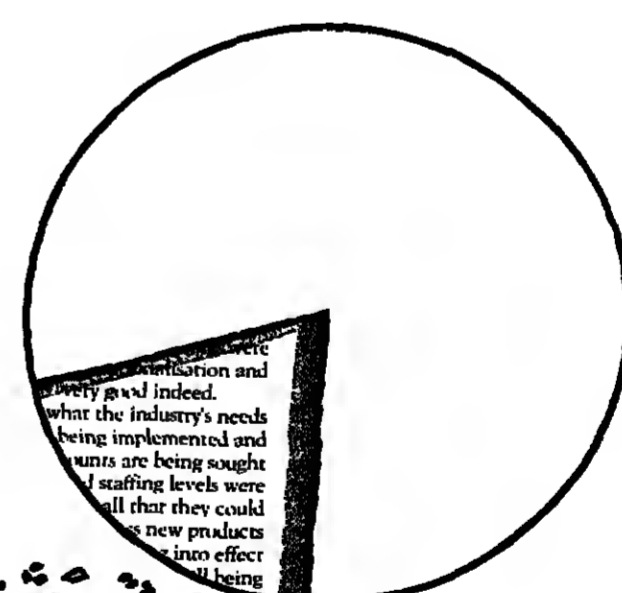
Lotus claims to have swept the board with its Lotus Notes groupware, for which it has sold around 750,000 licences in the last two and a half years.

The product is used in around 3,000 companies worldwide, and Lotus has done extensive analysis on its customer-base. Interviewing around 40 companies with more than 200 Notes nodes each.

According to its 1992 paper, *The Impact of Lotus Notes on Organisational Productivity*, the return on investment is, on average, well over 100 per cent, with payback taking place within three months or less.

One of Lotus' underlying principles has always been that Notes must provide open access to existing technologies. This means that it can be implemented without enormous cost, and without trans

With 80% of the world's massively parallel computers, it seems we've cut the competition out.



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For example, a major US financial institution uses one to analyse credit card repayment behaviour, and thus credit control, on 4 million accounts. The first year's benefit to the bottom line was \$12 million - three times the cost of buying and installing the computer!

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The Strategy for Managing Change.

Continued on next page

USING COMPUTERS IN BUSINESS 4

FACILITIES MANAGEMENT

An emphasis on partnership

Facilities management used to be a relatively simple idea – but not any more, writes John Kavanagh

IN the 1960s, 1970s and even early 1980s computers were so expensive that companies could easily cut costs by 30 per cent or more by contracting out the processing of their business systems.

In addition, the systems were well-suited to such arrangements. They were fed with details of transactions, such as orders and payments, and printed reams of reports, cheques and payrolls.

But the dramatic fall in the cost of computing power and the development of fast and reliable telecommunications services have cut the price of the equipment, put business people on-line to information and inspired them to new thinking about ways to exploit information technology. And these developments have raised totally new approaches to facilities management.

Many traditional contracts lasting five years or more are still being signed: UK market leader Hoskins, for example, has won orders from the likes of Prudential and Woolworths in the last year. The Inland Revenue is now examining ten-

ders for a contract put at £300m and covering 2,000 staff working at 16 data centres.

In such contracts a service supplier takes over a company's central computer and the computing staff. The service usually eventually moves away from the customer's premises. The supplier makes much of its profit from its skills in running the maximum of processing work on the minimum of equipment.

In this sort of arrangement the supplier usually takes on

New ways of exploiting technology have led to fresh approaches to facilities management

the maintenance of the customer's programs. This is especially so now that companies are using facilities management increasingly to keep their old systems running while they introduce new systems, typically based on smaller, networked machines installed in business departments.

Customers and suppliers generally agree on the benefits of traditional facilities management arrangements. Studies by research firm Rometec and service supplier CMG show that users see the biggest benefits as being a guaranteed service at a fixed cost, known well in



Tom Butler, above, managing director of EDS-Scienc: "We're putting our money where our mouth is."

Pictured left is a section of the control room of Computer Sciences Corporation (CSC), at El Segundo, California. Founded in 1959, CSC today employs 25,000 people worldwide, and claims to be the world's largest independent professional services company in the computer industry.

advance, and the fact that they are freed to concentrate on their core business.

However, the falling costs of mainframe computers and the fact that customers are looking at facilities management as a

temporary measure while they move to new systems mean suppliers are having to rethink their approach to the business.

The 50 per cent annual market growth of the 1980s is now down to less than 20 per cent.

with big computing set-ups are looking to the external market. Barclays Bank is a recent example.

"It's a very competitive market now and some suppliers are taking a long view," says Mr Jon Whiteley, a consultant at Rometec. "They are looking at making a profit only after three or four years, for example from new development work."

A note of caution is sounded here by Mr Gary Shepherd of service supplier AT&T Intel and chairman of the Computing Services Association's facilities management committee. "There are thought to be 150 companies in this business now and there are some very poor deals being made, with users just looking at cost cut-

All FM suppliers now talk of partnerships with customers, rather than mere service contracts

ting and suppliers taking very low margins," he says. "This isn't doing the client, the supplier or the industry any good."

"These days the main suppliers are talking to customers more about partnerships, where we work together on long-term strategy and where there might be a sharing of the risk and the rewards."

Pioneering deals are certainly appearing. BP Exploration has signed agreements with service specialist Sema and British Telecom under which the suppliers win or lose depending on their performance.

"We only make a very small profit if we meet BP's targets for cost savings but we share the rewards if we beat them," says Sema director Mr Paul Hopkins. "We also stand to lose money if fail to meet the targets."

All suppliers now talk of partnerships with customers rather than service contracts. Indeed, contracts are being negotiated on new terms.

Computer Sciences Corporation has entered an 11-year agreement with BHS under which it will take over the company's computing and 115 staff but also work with it to sell the combined expertise of the two organisations to the retail industry.

EDS is going even further. The company is now signing contracts under which it will take on system development at no cost. But in return it takes a percentage of the business gains made by the customer.

Its first contract of this type in Europe is in Sweden with retail group Kooperativa Forbundet (KF), which EDS expects to be worth a massive \$1bn over the next 10 years.

The contract involves a traditional facilities management arrangement, which KF is paying for at normal market rates, under which EDS is taking over KF's existing computing and 530 staff. But it also involves an agreement for the two companies to work together on a new information technology strategy for KF.

"We have a basic contract but the real incentive for us is to improve the way information technology supports KF's business," says Mr Tom Butler,

managing director of EDS-Scienc, the UK operation.

"People look at facilities management in terms of reducing computing costs. Cutting those costs by 10 per cent looks good – but it's very little compared with the savings from, say, cutting your stock turn over from eight days to three. With this sort of contract we're saying we'll put our money where our mouth is and do that for you in return for a percentage of your savings."

The terms of the agreement

Benefits of facilities management

- Free managers to focus on the company's core business: 77 per cent.
- Provides greater financial control: 48 per cent.
- Moves IT from capital to expense item: 33 per cent.
- Reduces the operational risk: 24 per cent.
- Provides a strategic partner: 22 per cent.
- Provides a competitive advantage: 12 per cent.

Source: CMG

with KF are not revealed but the partners are looking initially at the potentially lucrative areas of automated money transfer and credit cards.

Tom Butler expects this type of contract to account for 70 per cent of EDS' growth in the next three to five years.

So the company which invented facilities management in the 1960s looks set to take it on to a new plane in the 1990s.

Wide benefits of groupware

Continued from previous page:

gressing the "Not Invented Here" rule. This might explain why it has found such ready acceptance within other technology companies.

Intel, manufacturer of the microprocessors which provide the guts of many a PC, is an enthusiastic user of Notes. The re-organisation of its salesforce, scattered in 90 worldwide locations linked by a private wide area network, or WAN, made it essential to have a clear route for the communication of bookings, billings and backlogs.

Mail, fax, and other feedback methods imposed a four-week lag in the production of a marketing plan. Now feedback is

immediate, and daily.

According to Louis Burns, director of corporate marketing, Lotus Notes has made a big difference – "we have 1,000 people around the world working in islands. If we can work together, the group intelligence is much higher," he says. Concerns about integration with other software tools, and flexibility are noticeable. In recent groupware launches, Xerox identifies integration, ease of "workflow mapping", and, thirdly, flexibility as the main concerns in the industry. Xerox uses an underlying software methodology (known as "object oriented technology") to create a client/server solution in its InConcert System, recently launched by the Xerox

division Xsoft.

The client/server approach is more "open" in allowing several sorts of different hosts or terminals to be attached to one central server, and Xerox claims that its software can be used with other third-party software tools such as word processors, spreadsheets and calendars.

Another new product, claiming to leapfrog all existing developments, comes from Uniplex, a UK-owned company which managed to become the world market leader in office automation for Unix computers, by virtue of being the first, a decade or so ago, with a robust product. Now it is launching OnGo, which it claims as the first distributed client/server groupware solutions

to run on all significant hardware platforms.

With OnGo it has launched another buzzword: "Enterpriseware," to describe the way that OnGo can convert files from other software applications for "mission critical" operations.

It is easy to assume that overcoming the technology is the only problem in introducing groupware and workflow systems. In fact, one of the most outstanding obstacles can be the people themselves.

Training is vital, plus a campaign of awareness to help staff think about what their jobs really are, and where better communications can help.

The evidence is, that once people discover the potential of collaboration via computer, they become creative, even imaginative, about the possibilities that open up.

Whither data processing?

Spread to the four winds

READING this FT survey on the train might make good use of your commuting time. If, that is, you are not already busy with your laptop and portable modem.

Even better, you could cut out commuting altogether by becoming a teleworker (see the case studies on page eight of this survey).

The suggestion regarding teleworking is now promoted with fervour by British Telecom, which cites productivity improvements of up to 40 per cent for home workers. A job in data processing of any sort used to presume a fairly sedentary sort of life, probably spent in a data centre somewhere, and all too often in a basement. A pretty view, and flexible working hours were low on the list of probabilities. But increasingly, the pressures in the computer industry and such movements as downsizing, enterprise-wide networking and client-server computing have forced organisations to look at de-centralisation.

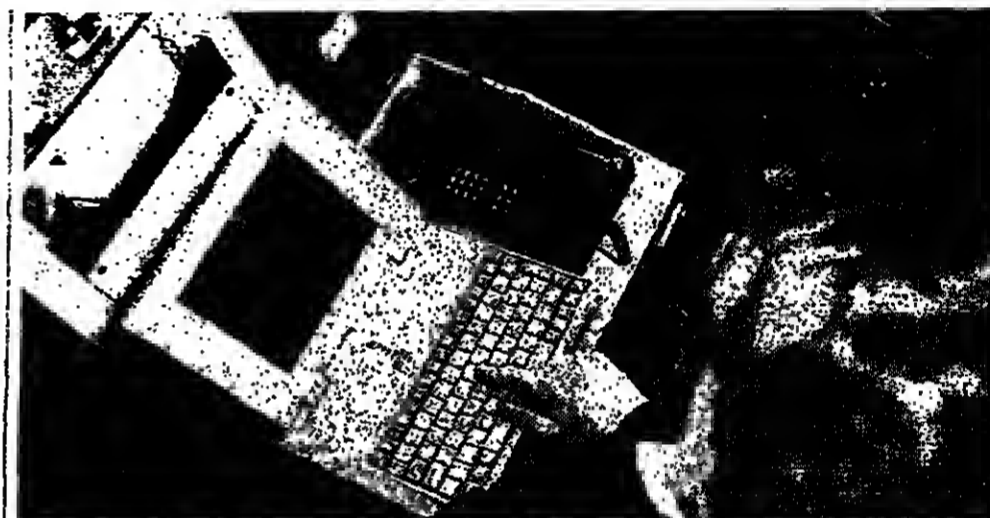
While this has been seen as the death-knell of the traditional "dp" centre, (a rumour much exaggerated) it actually creates a number of new opportunities for people in the IT industry and beyond. As computers become "distributed", so do people, and work opportunities.

Networking used to concentrate on the sharing of scarce and expensive hardware resources, such as printers. Now the emphasis is on saving labour costs, and companies are looking at contracting out centralised computer facilities. This can bring a saving on office-space, and also on employment costs including workspace, national insurance, and pension contributions.

The network has become a notion as well as a technical vehicle, and employees are being enabled and encouraged to work at home. Flexible working in a wider sense offers further savings, and the idea of teleworking, particularly contracting out to freelancers, is not far behind.

In any work involving computers, there has to be a distinction between those who do it all day, every day, like software developers, and those for whom using a computer is only a part of the job.

So far, only a fifth of the UK working population use computers, as compared to around half in Sweden. The computer industry was among the first to capitalise on home-working for software developers. But it is increasingly likely that any job – clerical, publishing, selling, banking – will depend on being able to use a computer. The technology is readily available, and a number of recent launches such as Apple's Newton, and Tricom's Pearl portable fax/modem have recognised that computing on the move is no gimmick, but part of many people's working pattern. BT is beginning to put ISDN in place for high-speed data transmission and services such as voice and videophones.



Computing in the car: niche marketing looks like the way forward for mobile data network operators. Meanwhile, notebook computers are putting real mobile computing power in the hands of users.

Some areas, such as the Highlands of Scotland, have been quick to put it to stake a claim in the remote service market. (See case study, page eight).

The Henley Centre for Forecasting has calculated that over a sixth of the hours worked in the UK would be worked at home by the mid-90s; more than 3.3m people by 1995.

British Telecom, admittedly with a vested interest in teleworking, claims that a central London employer can save £2m a year by teleworking 100 senior people.

Making a virtue out of a necessity

Sales organisations have been quick to make a virtue out of necessity. Out of several "business process re-engineering" projects has come the single message: to save costs, re-organise, consolidate separate activities under one local area manager, and send people home, armed with laptops. Uniplex, in the automotive industry, and Sun Alliance, in the insurance business, have been among the large organisations taking this seriously. But if there is to be a large "connectable" workforce, there are several issues to address, each illustrated by the very different stories here.

One is remote training, which will become more of a necessity as large organisations refuse to bear the costs of training in old-style "dp" centres. There has to be a way of delivering education by computer. Bulletin boards, for group-wide communication, have kept students at the Wolsey Hall Open Learning Centre in touch with one another and with tutors.

Acc-High, the Highlands consortium, has taken an innovative approach to remote training, just as successful and more suited to the workload now shared between its first proteges. For the Hollister Group, the problem was completely different. The work had to go to where the skilled people were already settled, and teleworking was the only option. Finding equipment easy to use was the main priority, and the Macintosh offered just that. Apple Computer, developer of the Macintosh and the Newton,

is one of the main contributors to the Teleworking movement, both in the Telecottage Association, and in the high-tech community in Kington, Herefordshire. This is a pilot scheme, known as "Connected Community," to see what potential benefits can be provided for the social fabric of small towns.

The aim is to generate new business and employment opportunities, especially for disabled people and women returners. BT and the Rural Development Commission are supporting the experiment, which is to be monitored by the Henley Centre.

There are also some moral and personal issues which arise from teleworking, not shirked by British Telecom in its comprehensive Information pack, the Teleworking Programme, (call 0700 800 854 for free copies). BT points out that teleworking can be disruptive to other people in the home, and that it does not suit gregarious people whose main pleasure in work is the social life. Computer manufacturer Hewlett-Packard has already addressed another issue of personal safety, by its co-operation with the Sussex Lamplugh Trust, the personal safety awareness organisation set up in memory of the estate agent who disappeared whilst keeping a professional appointment in a house.

Another active body in the area is MSH, the white-collar union, whose concerns include employment rights, health and safety – particularly in terms of ergonomics and a suitable working environment – is a responsibility which gets passed down to remote teleworkers, who may not be aware of the importance of vdu regulations and guidelines, the correct adjustment of chair height, and precautions to be taken in using a computer.

More information on teleworking is available in the most recent issue of the FT review, "Software At Work," published on September 8.

The next issue of Software at Work

The Winter Issue is due for publication on Monday, November 29. It will include two user-based reports, on office automation and geographical information

systems (GIS).

The hot topic in this issue will be Object Oriented Programming.

Questionnaires for those wishing to participate in the user-research are available from the Surveys Department, Financial Times, Number 1, Southwark Bridge, London SE1 9HL.

In particular, the section on Office Automation (Part 1) will focus on:

Integration: Users no longer find any novelty in mere word processing. They are looking for better and more effective ways of integrating other applications with the routine paperwork.

Word processing is no longer standalone, but has become linked with database, communications, and spreadsheets.

Users are less likely to be confronted with a choice between one package or another on the basis of pure functions. Nowadays they are more likely to be concerned with exchanging documents and formats, regulating in-house standards and usages, and keeping in-house training up to date with new versions.

The management of software – and human – resources is likely to play an important part in the office automation stories we tell.

GIS – Geographical Information Systems: these systems for mapping geographical information used to be a niche market, relevant only to specialist users. Programs such as the route-mapping program AutoRoute have now found their way into people's homes, and helped awareness of the larger potential of GIS.

Commercial applications are now becoming appealing for corporations in such areas as research and marketing, especially as the availability of CD-ROM has made demographic and other high-volume detailed information readily available.

The hot topic – Object Oriented Programming: the latest buzzword for the programming community leaves most non-technical people bewildered. Software At Work will explain what it means, what it will enable users to do, and why most people don't really need to know more than that.

Claire Gooding

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'Intuitive' Newton launched

APPLE Computer has launched the first product based on its Newton technology - the Newton MessagePad. This hand-held communications aid, pictured right, is designed to allow users to collect, organise and distribute information with ease and spontaneity.

The MessagePad "learns" the user's handwriting and work patterns - and then implements them on cue over a short period of time. Whether it is printing a letter or faxing a message, the product learns to anticipate the user's needs. With an optional connection package, users can transfer, synchronise, back-up and update information between the MessagePad and a personal computer. Apple plans to introduce wireless messaging and electronic mail facilities for the product.



COMPUTING ON THE MOVE

Innovation on all fronts

Miniaturisation is allowing designers to pack more and more power into notebook computers, reports Paul Taylor

FOR most of the 1980s the business computer user who left the office faced two unenviable choices - either to abandon access to computing power and the data it generates, or to lug a heavy "laptop" computer and all its accessories.

That is no longer the case. The advent of the notebook computer in particular has put real mobile computing power in the hands of users and in turn led to the proliferation of mobile computing devices.

Today's portable computers range from high power colour note books boasting state-of-the-art features to small hand held devices and the new generation of Personal Digital Assistants epitomised by the Apple's Newton MessagePad, pictured above.

Indeed, the portable segment of the personal computer market has been the star performer over the past couple of years.

According to Dataquest, the market research organisation, worldwide notebook computer shipment, led by manufacturers such as Toshiba, Apple, NEC and Compaq more than doubled last year to 4.35m units.

Dataquest estimates that almost one in every five PCs sold last year was a portable and the trend is accelerating. By 1997 Dataquest expects portables and PDA's to account for more than 45 per cent of unit sales.

The notebook computer revolution has been made possible

by greater silicon integration and the overall trend towards miniaturisation which have allowed designers to pack more and more computing power into lighter packages.

At the same time, low-power chips, new lightweight components like PCMCIA-card drives have enabled manufacturers to deliver most if not all the functionality of desktop systems in much smaller boxes.

Notebook computers are used in addition to desktop machines, and increasing as replacements. Mr Jeff Goldberg, European industry analyst with Dataquest in London, says most corporate users want machines which offer similar facilities to desktops and are able to run the same software. Increasingly that means fast Intel 486 processors and colour screens.

For a growing number of business users, notebook computers form one part of the "mobile office". Equipped with a fax-modem and a mobile telephone they can be used to send and retrieve data, electronic mail and facsimiles while on the move.

One Swindon based company, Vocom, has taken this process to its logical conclusion building an integrated mobile office, comprising removable mobile telephone, letter quality printer, fax and data modem and notebook computer, into a briefcase. A single in-built power supply and battery charger meets the power requirements for all the equipment.

Other innovative machines to appear on the market recently have included modular designed systems like the latest notebook computer range from Elonex, the North London-based computer group. The Elonex NB400 notebook

allows the user to change almost every facet of its operation. Aside from the ability to upgrade the CPU, expand removable hard disk storage capacity and better ties the user can simply and easily switch screens.

Elonex claims this will enable customers to keep up with future display technologies while the removable hard disk also allows a group of users to "share" a machine but each retain their own hard disk data.

A handful of other manufacturers including Japan's NEC and Italy's Olivetti with the recently launched Philos have adopted similar modular design approaches.

OTHER innovations have included pen-based "notepad" systems from a growing number of notebook manufacturers and the Cril Convertible, now supplied by AST alongside its new ranges of high and budget-priced notebook systems. The Convertible boasts both keyboard and penpad.

Pen-based systems, including smaller handheld devices like IBM's robust TouchPC, are mainly being used for niche applications, for example by insurance assessors, engineers completing customised forms on site or warehousemen checking stock.

Apple has also achieved considerable success with its PowerBook systems which were among the first notebooks with an integrated trackball - a feature which is increasingly common. Last year, Apple sold over 500,000 PowerBooks, worth more than \$1bn.

More recently Apple's Duo System has begun to exploit the growing demand for "docking" systems. The Duo, like machines from other man-

ufacturers including Compaq, combines a lightweight notebook computer for use on the road with a docking station which turns the machine into a sophisticated desktop hooked up to the office network.

At 4.3 lbs, the Duo comes close to entering the sub-notebook category of devices pioneered by Olivetti with the Quaderna, now in its second generation, and Hewlett Packard with the recently launched Omnibook. But despite high expectations the sub-notebook market has so far failed to live up to expectations.

Dataquest's Mr Goldberg believes this is because they have been too expensive and are generally viewed as "add-ons" similar too, but more costly than, electronic organisers. They also require the user to make more compromises in terms of screen and keyboard sizes than full size notebooks. However, he concedes that they could be successful "if people get the price and the market right".

Mr Goldberg is equally doubtful about the short-term market for PDA's, arguing that the first machines from manufacturers like Apple, Casio, Sharp and others including Amstrad in the UK are generally too expensive and so far offer few clear advantages over cheaper handheld computers and pen-operated electronic organisers.

Even when prices fall he doubts whether PDA's will initially sell in sufficient volumes to generate significant revenues for their manufacturers.

But not everyone agrees. Despite its relatively hefty price tag (\$649 in the UK), the innovative Apple Newton MessagePad, which was officially launched in Britain this month, has already found some ardent supporters.

MR Richard Woodington, director of Rothwell group which claims to sell more Apple computers into the corporate sector than any other UK-based supplier, says: "Newton is breaking ground for the PDA market much the same way as the Macintosh did for personal computing."

"Much of the same approach is evident in Newton - easy and intuitive use, integrated software design and built-in communications."

He claims that large businesses are already showing tremendous interest in Newton mainly because of its ability to log on to office electronic mail systems, send and receive faxes and talk to PCs - all in a package which fits on the palm of the hand and can also recognise handwriting.

"We see Newton as a potential mobile extension for client/server technology, whereby an authorised user could have transparent access to a corporate database from wherever they are," he says.

Nevertheless, he acknowledges that the initial reaction to Newton from some quarters has been mixed because of disappointment that it cannot immediately provide cordless communications. But he says that the introduction of new digital mobile services, like Mercury's One-2-One in the UK and GSM services throughout Europe will "bring Newton into a new dimension, making it truly a mobile communications system."

What does seem certain is that the worlds of digital processing and telecommunications are continuing to converge and that in the future business computer users will be offered a wide range of mobile computer and communications systems aimed at specific market niches. Mobile computing has, after all, not even reached its teenage years.

COMPUTER-AIDED SOFTWARE ENGINEERING

Still a long-term vision

Object-oriented technology is reviving an engineering paradigm, reports Philip Manchester

IN the optimistic mid-1980s, computer-aided software engineering (CASE) was heralded as the panacea to the problems of building complex computer software.

By combining formal design methods and powerful tools, CASE aimed to harness the computer itself to help create useful applications quickly, easily and cheaply.

Its most enthusiastic advocates said that CASE would let you model a business problem, turn a "handle" and the software for a full-blown IT application would appear like magic.

This long-term vision of the virtues of CASE remains - despite a growing realisation that it is not as easy to put into practice as was first thought.

The fundamental ideas in CASE are sound: engineering discipline is good for software production and computer power can be used to help to build useful systems. But the reality is that users have been slow to adopt CASE methods and, more importantly for the software industry, they have been reluctant to buy CASE tools.

There are several reasons for the apparent failure of the CASE vision. Users were expected to throw out all of their previous development technology and invest enormous sums in re-training - which was more an act of faith than a sound business decision.

Their expectations were raised to a level which could only be met by something miraculous - and CASE was, inevitably, well below this.

Furthermore the technology goalsposts moved. In the late 1980s, when good CASE products for proprietary mainframes and minicomputers first began to appear, attention switched to open, networked client/server systems.

Such systems use several different types of computer and operating environment, each

with their own idiosyncrasies. CASE tools could not cope with this change and have only recently begun to catch up.

Early CASE also put greater emphasis on technology than on business problems and, in the recessionary climate of recent years, this was a mistake.

There are signs of change. CASE methods vendors have learnt to accommodate older so-called "legacy" systems.

CASE tool suppliers have extended their products to work with network systems as targets and the emphasis has switched away from technology to business problems.

In addition, CASE has received a boost from object-

CASE project management package.

"Nobody's got all of it. You have to have a framework which takes in a variety of tools," says Mr Stenson.

The best-known CASE framework is IBM's Application Development (AD/Cycle) which aimed to put IBM squarely in the CASE software market along with third-party suppliers who supplied appropriate tools.

AD/Cycle has not lived up to IBM's hopes - partly as a result of changes in the structure of its own market and partly because the opportunity has not been fully exploited. AD/Cycle is restricted to generating applications for IBM hardware only and this has

CASE joint venture between Amdahl and software company EDS.

"We see facilitating change as the main role of CASE. Without the ability to re-engineer their processes easily, users start to believe it is so difficult that they can't change," he goes on.

Relating the use of CASE directly to the business has become essential - both in order to justify the application of technology and to maintain the overall integrity of the business model.

"In the past, CASE has been seen as methods based when it should be mission based. You have to remove anything that distracts from the business mission," says Mr Faton.

He adds that object-oriented computing is the key: "It is much easier to see real world systems in terms of objects and it is not difficult for business people to define the objects that they have to deal with. It is only when the technologists get involved that things get complicated. Object-oriented computing makes it easier for the technologist and the business managers think in the same way."

In addition to being able to provide this direct link between business problems and the system, object-oriented technology shares the same engineering principles as CASE and will revive interest.

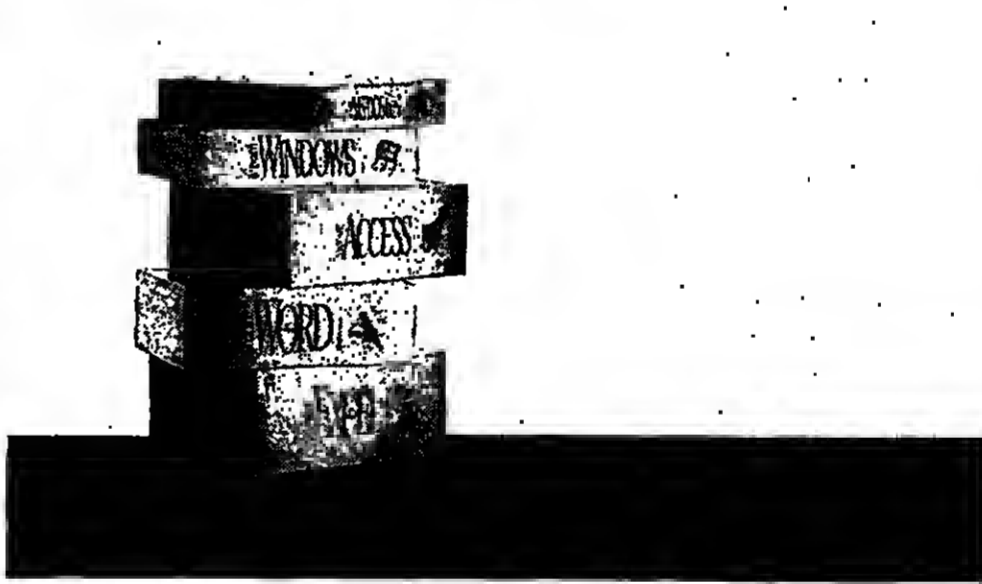
"CASE was oversold in the 1980s. People saw it as a silver bullet and expected the tools to give them a development process. We now see that you need the process first. Object technology helps us to identify this," says Mr Don Kavanagh, a consultant with CASE tool supplier Interactive Data Environments, (IDE).

"Object let us gain a higher level understanding of the business problem and relate that back to the technology, he adds.

Object-oriented technology is also having an impact on users too. Mr Stenson of Norwich Union is enthusiastic: "The entire future of software is object-oriented and I fully endorse it. It is the most critical component of where we are going with CASE. We just need more mature tools to realise the potential," he says.

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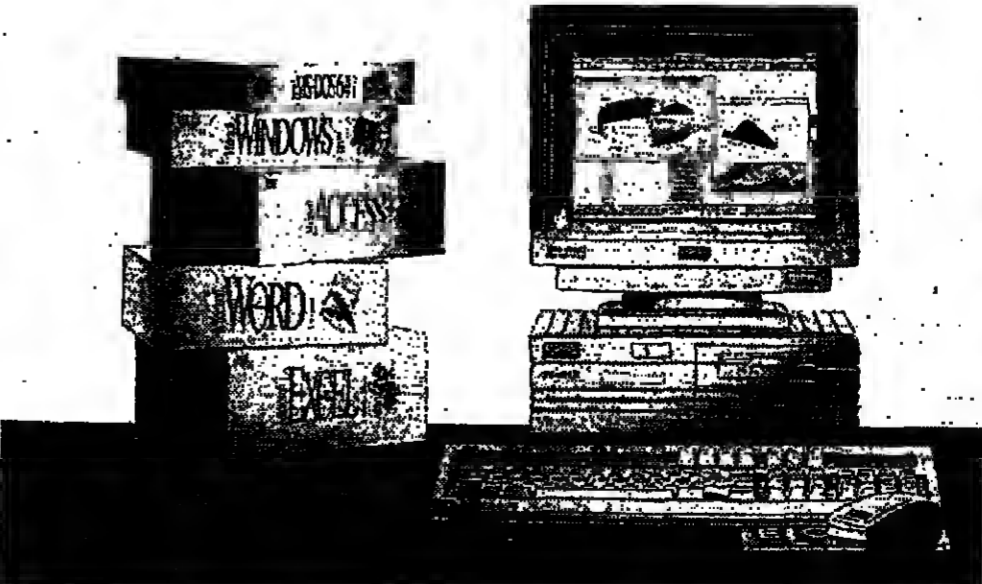
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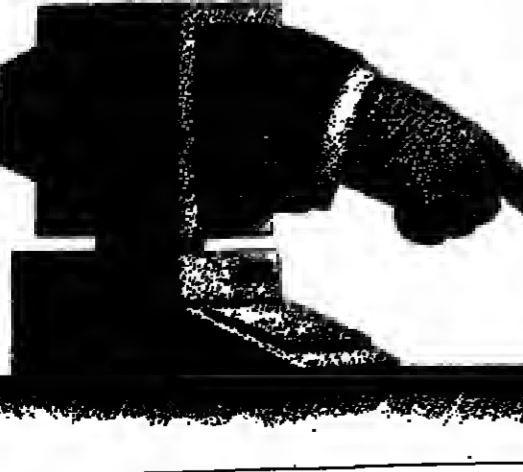
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USING COMPUTERS IN BUSINESS 6

EXECUTIVE INFORMATION SYSTEMS

If the computer is really such a wonderful tool for business, asks Claire Gooding, why has it been kept behind the scenes for so long?

UNTIL recent years, relatively few top executives had the incentive to have a computer terminal or PC on their desks. Those who did were in an enlightened minority, despite the vigorous efforts of the suppliers of software packages known as executive information systems (EIS).

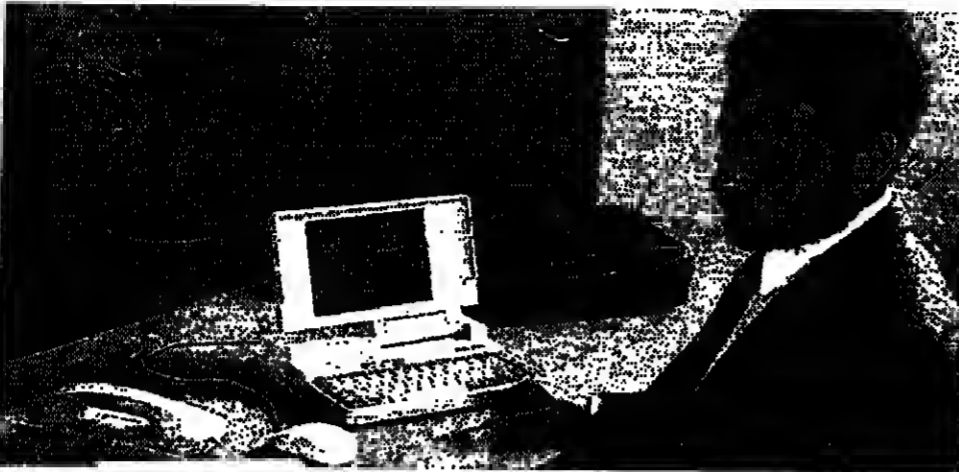
The first generation of EIS products grew out of more general decision support software for forecasting and modelling. The main problem they tackled was that of having too much information, not too little.

Computer systems tended to deliver fat, inflexible reports, through which few executives were prepared to plough to find the relevant facts.

The EIS promised a slick, flexible alternative, a way of looking at facts on the screen and drawing information from all the existing data systems in a company's computers.

The graphical representations of data were flexible, allowing "drill down" - the refining of information down to its source facts - and other manipulations. There were two "extras" which distinguished the EIS from its humbler counterpart, the management information system (MIS). One was the ease of use: it was presumed that no top executive

Out of the backroom, into the boardroom



In 1990s executive information systems (EIS), PCs are as likely vehicles for the software as mainframes. The big difference is that the "E" now stands for Enterprise, rather than Executive, with managers throughout the entire organisation having access to data from various sources, internal and external

would ever have the time to master a keyboard. The other was its links with various systems, not only the internal accounting and production systems but external links, to databases and online information services.

In its "unique selling propositions," the EIS trod a path that the rest of the computer industry was to follow. Comshare, the market leader, and other suppliers including Holos, Acuity and Pilot could offer speedy development and flexible reactions to changes,

presented in a graphical form, even when the basic data came from the mainframe.

At the heart of the EIS was its flexibility - the ability to turn data inside out, manipulate it, look at different views of it, and perform "what if" exercises.

The rest of the computer industry has now caught up with what made the EIS so special a few years ago. Rapid applications development and graphical user interfaces have gone along way towards making applications more flexible

and easier to use. But EIS also foreshadowed another development: business process re-engineering.

When implementing an EIS, consultants soon discovered that the real effort went into defining a company's real needs.

Even managers who believed in the benefits of an EIS found it difficult to answer the basic question "what do you want from a system?"

To enable an executive to grasp the essentials swiftly, somebody somewhere has to

do a lot of groundwork. The exercise of deciding what needs what information, why, from whom, when, and how often, throw into relief the relationships, and particularly the redundant processes in a company. It can even re-focus an organisation to look at its basic purpose and profitability.

Better information systems often mean human redundancies: ICI Fibres, for example, reduced its head office staff from hundreds to a handful. Managing director Scott Davidson keeps in touch with the dozen or so staff now based in Brussels via his laptop computer.

The ICI Fibres Business Information System is a model of how an EIS can evolve. Consultants Executive Information Systems have nursed the system through various incarnations, working closely with managers from ICI Fibres and ICI Acrylics.

The system was initially written in PC Express, and later refined using a mixture of Lightship and Lotus 123. Once everyone was satisfied with the prototype, the final system took shape in the Focus 4GL from Information Builders.

The EIS suppliers have shifted their ground a little in recent times, perhaps aware that their territory is being

encroached by less specialist software. In practice, few executives use external links regularly, and the main value of EIS has been that corporate users "all sing from the same hymn sheet".

Predictably, the data fed into EIS models is internal, such as sales and accounts information. EIS has proved to be not a periscope, looking at the outside world, but a microscope, illuminating internal data.

So, argue the EIS suppliers, the acronym should now stand for "Enterprise Information Systems."

The benefits of a system in which everyone shares should be felt outside the boardroom. Remote computing, also known as "teleworking" seems to have brought a new element into the pattern, giving access to the mainframe, and to colleagues.

VAG, the UK importer of Volkswagen and Audi vehicles and parts, is one company that has used an EIS as an "enterprise" rather than an "executive" system.

Part of the Volkswagen Group in Germany, VAG is a marketing and distribution organisation based in Milton Keynes. It retails through 300 or so franchised dealer outlets employing nearly 10,000 people, and accounting for turn-

over exceeding £1bn in the UK.

A re-examination of productivity and resources in 1991 convinced VAG that it simply did not have the right information available to enable it to sell its cars in the fiercely competitive 1990s.

At the time the company was organised in traditional divisions: sales and marketing, parts and services, each with its own field force.

Steve Underwood, then a manager of information systems, described the problem: "In essence the divisions

At the heart of the EIS is its ability to turn data inside out

were companies in their own right. There was very little interaction between the people selling vehicles and people selling parts and service."

The re-organisation focused on getting closer to dealers. Twenty district managers were to take responsibility for every area of operation in their local "patch," working from home.

"Suddenly the district manager had to be a generalist, with a tremendous amount of knowledge about all parts of the business," says Steve Underwood.

He was responsible for setting up a technical solution, an EIS that would collect all the available information from existing parts, vehicle, and finance systems on the mainframe, and deliver the information to the district manager in a useable format.

As with most EIS solutions, this meant a new layer of technology, drawing on what was already in place. Pilot Software's LightShip was chosen as the front-end, to give users easy access via "point and click" windows but also because of its extensive links

with databases and other software products.

The managers use IBM L4 laptops with modems, connected to an OS/2 computer. This extracts data from the DB/2 mainframe database via an SQL server, using LightShip's high-speed "middleware" to search and deliver information at high speed.

Robert Coudwell, a VAG district manager based in south London, readily points out the benefits of the system, although he was new to computers and home-working back in 1991.

"To motivate dealers to achieve sales targets you need information. That used to rely on lots of telephoning and hand-copy reports delivered by post," he says.

"Now I keep in touch with market share, parts performance, and can check up on the latest figures when I get home at night."

He stays in touch with the office and colleagues through electronic mail, and when negotiating sales targets with dealers, the laptop goes with him.

"From the dealer's point of view, the laptop doesn't lie. It's fact, not conjecture, if you can show the development of market share over the last three years by each model. That's powerful."

VAG is among the companies who have made their historical information work for them, but this is still the exception rather than the rule. When West London Training Enterprise Council surveyed 718 companies in its area, ranging from the smallest to the largest, the most common applications were still the back-room functions of accounting and office automation.

Its most disturbing finding was that business managers are top of the league table in the matter of IT skills deficiency. EIS suppliers, it seems, still have to convince the world at large that the computer belongs in the boardroom. VAG's experience suggests that it might be more useful on the road, or at home.

ERGONOMICS

Europe points the way to new standards

MOST companies only think about ergonomics when there is evidence that something, somewhere, is going wrong.

But according to the latest bulletin on the subject from the International Data Corporation (IDC), ergonomics is about to become a big issue among employers in Europe. It believes litigation and productivity will bring the issue to the fore.

IDC analyst Andrew Baul-Lewis points out that more attention is paid to the ergonomics of the average car than is paid to the comfort of the worker's desk. Along with other voices in the IT industry, notably ICL and Olivetti, IDC argues for a broader interpretation of ergonomics, traditionally associated with engineering issues - the design of screens and visual display units. There has been a tendency to isolate such things as screen displays and eye strain as separate issues, without realising that health and safety affects the whole person, mental and physical.

Ergonomics is a growing standards issue in Europe, where the recent European Commission directive which came into force on the 1st January 1993, IDC argues that employers will soon have to take such regulations, along with the International Standards Organisation's recommendations, into account when purchasing equipment.

In the US, there is also concern for the environment, and electricity consumption, promoted by the US Environmental Protection Agency's Energy Star programme, which is encouraging PC power consumption to be reduced to 30 watts. This concern is beginning to be reflected in European legislation, such as Germany's law, coming into force in 1994, that makes electronic suppliers responsible for collecting obsolete equipment.

Hans Malmkvist, director of ICL's ergonomics programme based in Stockholm, has proof from many Scandinavian companies that ergonomics pays in terms of productivity and reduced absenteeism. "There are lots of EC directives, but the real challenge is to get users to understand and take responsibility for their own layout," he says.

ICL's so-called "Just in Time" training uses the computer to teach in situ, using self-programmable multimedia techniques, including videos of physical exercises. Taking the lead from Nokia, acquired by

ICL in 1991, ICL now has "ergonomists", as Malmkvist calls them, advising customers all over Europe.

An enlightened holistic approach would take into account the entire working environment - surroundings, view, lighting, noise level, seating and posture, as well as the keyboard and terminal. Software is also coming under scrutiny, at a time when graphical user interfaces and object-oriented programming are making products easier to use, but are also creating a confusing diversity of options.

Software ergonomics are an increasing part of the picture. More end-users are coming online, and are expected to use a variety of software products. The frustration of finding that they all use different keyboard conventions can lead to much time-wasting and unacceptable levels of errors. How sensible it would be to have a set of accepted rules, similar to those which established the F1 key as the escape or "reverse out" route in the earliest generation of PC applications. But this goes against commercial judgment, and companies such as Apple, Microsoft and Sun are fighting through the courts to retain their own individual "look and feel" on the desktop.

"The problem is litigation," says Theresa Cory, main author of the 1993 Software Quality Report from IT researchers Butler Bloor. "It would make more sense, instead of the legal battle for the desktop, for them to agree, or at least allow, some flexibility."

Software designers are beginning to appreciate the need for clearer signposting. It is possible, with graphical user interfaces and object-oriented programming, for software to be a delight to use. Software house Unify has just launched its own client-server development software, Unify Vision, which mimics human thinking by using icons and pointers to develop "intuitive" applications. "It's a matter of productivity and ease of use," says Reza Mikaili, senior vice-president of products at Unify. "The mouse gives you a screen of options and you can jump from one to another; there is no dictation of the thinking process as with old style systems. It's a matter of getting closer to people's thinking processes: these can change fast, so the tools you use to write programs should let you react to every event. That's what being human is all about."

Claire Gooding

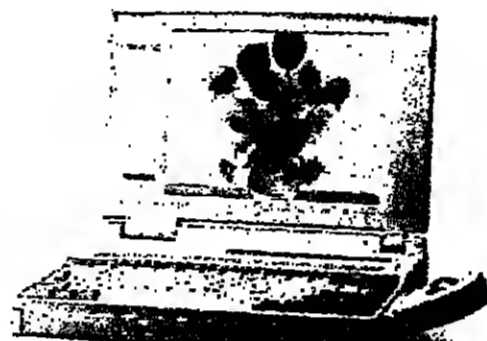
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USING COMPUTERS IN BUSINESS 7

ELECTRONIC DATA INTERCHANGE

Big business implications

British companies are leading the way in Europe in applying EDI - a simple idea that saves time, effort and money, reports John Kavanagh

THE BENEFITS of electronic data interchange (EDI) have been so great to Tesco, over the last six years that the retail chain has stopped measuring them against the costs.

"The EDI costs are absolutely negligible and are covered by our savings on the phone, fax and mail alone," says stock management director Mr Dave MacIntyre. "That means we have all the business benefits for nothing."

Those benefits are impressive. "We've reduced stock levels yet improved stock availability and sales; cut lead times on orders; cut administration; and improved communication with our suppliers."

Tesco, an EDI pioneer, now trades electronically with over 1,200 companies of all sizes, representing more than 95 per cent of products on its shelves. Half these suppliers send their invoices to Tesco by EDI. Tesco has also used EDI to forge close business relationships with a quarter of them, sending 13-week sales forecasts to help them schedule production and reduce stocks - thus keeping their own costs and prices down.

Computer manufacturer ICL is enjoying similar gains by using EDI as a route to just-in-time manufacturing and business process re-organisation, according to chief executive Mr Peter Boufield. "In manufacturing we've reduced the time from manufacture to invoice from 20 days to three. We've reduced our inventory by £100m, with a big impact on the balance sheet and customer response time. The delivery time for PCs has been cut from four weeks to 48 hours maximum. Automating our purchasing has reduced our administration costs by 70 per cent."

Companies like these have gone way beyond the original EDI idea of exchanging routine business documents such as



Tesco, an EDI pioneer, now trades electronically with more than 1,200 supplier companies of all sizes



Sir John Harvey-Jones: "we are barely scratching the surface"

orders, acknowledgements and invoices over telecommunications lines between computers run by customers and suppliers.

Tesco's experience shows that this in itself is enough to justify EDI, by reducing the delays and human error which are built into the process of

keying order information into a computer, printing it and mailing the document to a supplier, where it is keyed in again. This process is repeated right down through the supply chain. Indeed, it has been estimated that 50-70 per cent of computer output becomes computer input.

The UK is the clear leader in Europe in its use of EDI and the number of companies trading electronically is growing at 25 per cent a year. But even so, less than a third of the top 1,000 companies have taken it up. The likes of ICL and Tesco have joined and helped their smaller trading partners into EDI, taking the total number to around 10,000. But, as Sir John Harvey-Jones told a recent EDI conference, "we are barely scratching the surface."

"Why are we so loath to use the opportunities of electronic trading when it pays for itself in paperwork savings alone, without the additional business advantages?" Sir John



Ray Walker, chairman of the Simpler Trade Procedures Board

demanded. He went on to answer his own question, reflecting the views of leading users, consultants and service suppliers in this field.

"The real pay-off from information technology only comes when it is used to totally transform the way business is done and the way a company is

organised. Companies have made a major jump ahead of the competition by having vision and openness to change."

"However, most companies are still organised in vertical components. Those that look across the totality of the business are all too few. This is one reason why getting EDI to really run and show its paces has been such a problem. It has tended to be looked on as the preserve of the IT department, not as a valuable enabling tool to change the way that every part of the organisation does its business."

He added: "I pushed ICI into EDI not for the savings per invoice - although these were respectable - but because I believed EDI was a key to altering the way our business was done and the relationships we had with our suppliers and customers."

EDI is a "proven strategic vehicle" for business, says Ray Walker, chief executive of SIT-PRO, the Simpler Trade Procedures Board. He is chairman of the UK National EDI Conference. The forthcoming EDI 93 event in October (see details on page four of this survey) is the largest yet.

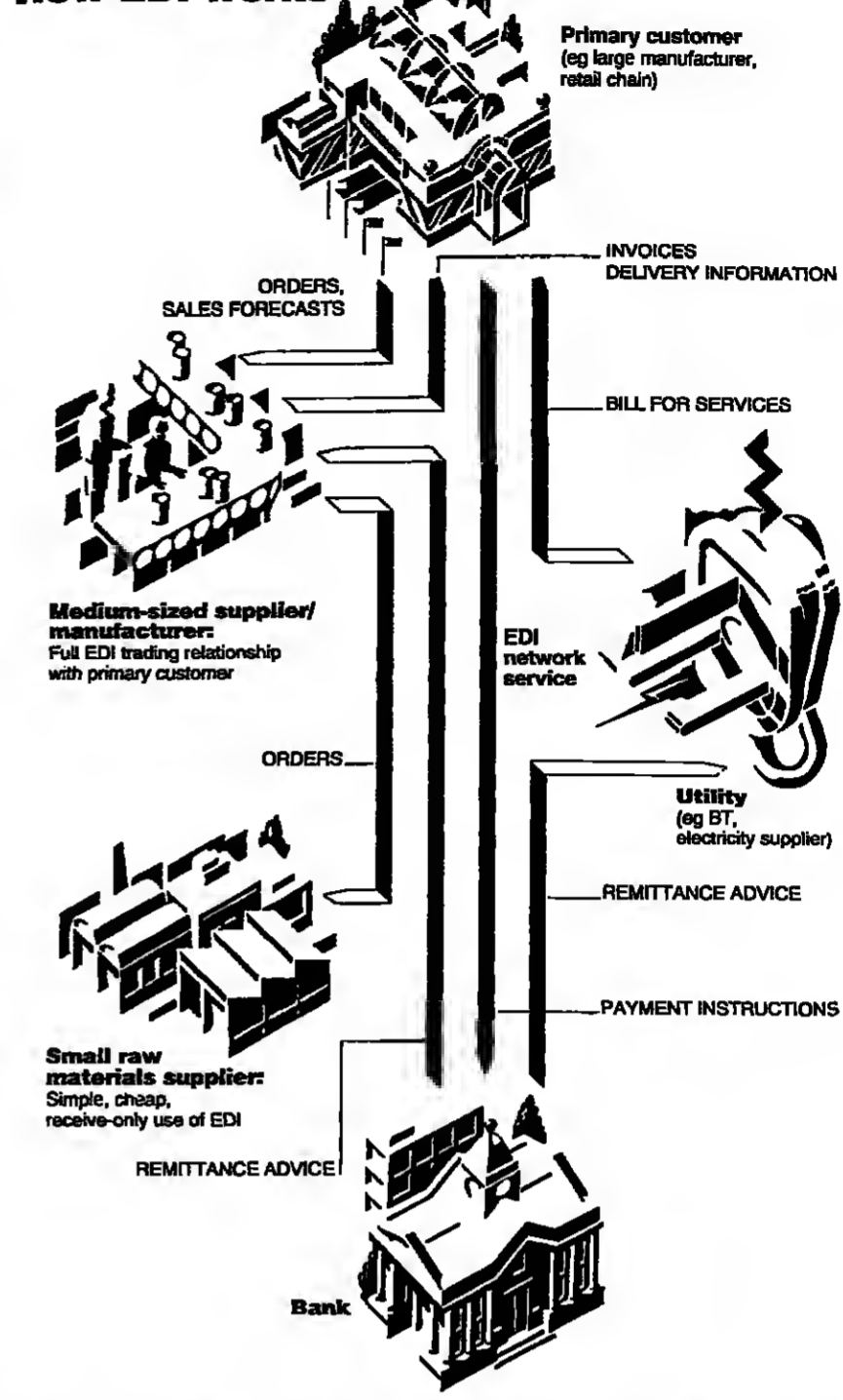
Most of the growth in EDI has been led by big companies, whether those with such vision or those simply looking initially at cutting administration costs. Neil Lawrence, EDI manager at service supplier British Telecom, believes the number of the top 1,000 companies using EDI will double to around 600 in the next two or three years - and each will bring in 1,500 or more of its suppliers.

Meanwhile the UK's main service suppliers - market leader INS, AT&T - Intel, European leader GEIS, IBM and BT - are trying to make EDI more attractive to small companies. These suppliers run networks which direct messages from one company's computer to any other company's system.

"Tesco, Sainsbury's and others are doing sophisticated things and have transformed their business but we haven't really got to the volume market yet," says INS marketing director Colin Billings.

"The market has become more competitive and we want

How EDI works



to stimulate growth still further by attracting the hundreds of thousands of small firms."

INS, which has 55 per cent of the UK market, has recently packaged its network and support services in new ways and cut prices for smaller new entrants. This month it has launched a software package

which enables companies to adapt quickly to the message formats and procedures of different trading partners.

Service suppliers are also wooing communities of users and finding unlikely successes among some of the smallest companies. For example manufacturers of small electrical appliances, including Braun

and Tefal, have set up an EDI community with local repair shops, some of which are two-man bands with a personal computer working from a market stall. The repair firms send orders for parts via the British Telecom EDI service, cutting the repair time from a week or more to 24 hours in many cases.

MULTIMEDIA

Expectations are high

MULTIMEDIA is becoming a hot topic in the computer world, although its applications are mainly limited - for the moment - to training and point-of-sale information.

Multimedia combines animated, high-resolution graphics and video, hi-fi sound, computer data, communications and - most important of all - interaction between the system and the user.

Today's multimedia market is pre-eminently about training, although presentations and kiosks applications - usually taken to mean point-of-sale (p-o-s) displays or point-of-information screens in galleries, shopping malls, airports or exhibitions - are fast-growing.

The research consultancy Ovum has estimated that the US and European market for multimedia products and software would grow from just \$500m in 1991 to over \$8bn by 1997.

The expectation was that the training market, for example, would grow from some \$300m in 1991 to \$420m by 1994 and \$550m by 1997. But even within that relatively conservative prediction, there are potential pitfalls for vendors and those that invest in them. For while software revenues are expected by Ovum to rise at an average of 13 per cent per year, hardware revenues were only expected to rise by 5 per cent a year, reflecting a decrease in hardware prices that is only likely to be partially offset by ever-increasing volumes.

Training, distance-learning, open-learning (a slightly different concept) and further education are inseparable within the multimedia canon. To understand why, it is only necessary to quote one example - provided by the National Council for Vocational Qualifications which, during its 'World Class Britain' conference, last year, said that it wanted to see 1.2m workers achieve NVQs by 1996.

At a time when all budgets for training and further education are under pressure, that high target is unlikely to be met by conventional means. It is, instead, being met by the use of new multimedia products such as CD-ROM, CBT packages and multimedia's progenitor, interactive video-disc.

Lloyds Bank, for example, has installed around 100 multimedia systems (based on Wang

computers, VideoLogic boards and CD-ROM) which supplement its 1,500-machine interactive video network and its use of computer-based training (CBT). The use of the multimedia systems propels Lloyds distance learning into the management arena.

"Distance-learning" is cost-independent of the number of students - and there is considerable evidence that distance-learning reduces the overall costs of training, says the senior manager of Lloyds training development group, Howard Hills.

Further examples of this are evident elsewhere in Europe. In Germany, the Deutsche Bundespost Postdienst has saved DM14.2m in time and



There are increasing multimedia applications in the retail, in-store environment. Shown here is ICL's PC-based multimedia system

travel costs during the first four months of its multimedia training project.

Based around VideoLogic systems allowing the integration of video, audio and still images on to 2,000 PC-based learning stations installed in German post offices, more 100,000 employees have already undergone training.

Even more important, the market for generic materials, which had to some extent been held down by the cost of interactive video replay systems, is beginning to take off in the UK. It is already burgeoning in the US.

New companies, such as the Gloucestershire-based Xebec, which has just signed to produce six packages a year for distribution in the US; CD-I Training; Lasermedia; IIS; Maxim; Skillchange and Pitman (which acquired a multimedia production house, Convergent, last year), are emerging to rival the film and video training hegemony of

companies such as Video Arts, Longman Training and Melrose Films.

There are signs that the generic market for training is fast spilling over into the education and what is termed the "edutainment" sector, as well. Educationalists have already toyed with a variety of systems while more than £10m of government funding has been spent in the last five years on attempts to bring interactive media into the classroom or the lecture theatre.

Suddenly, things have started moving again, with products like "The World of Numbers" videocassettes and a CDTV-based project called "Global Maths," targeted towards the National Curriculum.

It is worth considering one case in point: in California, Pacific Bell recently experimented with a networked multimedia information and training system, linking 10 sites. Designed to replace "old" information delivery systems using video and printed materials, the new Employee Knowledge Link used a Sun fileserver and workstations connected by ISDN telecom lines to carry voice, music, sound effects, text, animated images and stills.

The technology used was significant - "we considered using CD-ROM," the project leaders told a US conference held in April, "but because the time and cost-concerns with creation, distribution and storage, we decided it was not the ideal solution." Yet the core nature of the experiment was, if anything, more significant. Having already started to break down geographic, temporal and cost boundaries, multimedia communications could soon make an impact on the barriers erected between corporate departments, changing the way businesses are run, as well as the means by which they communicate.

Mr James Roper, director of the Interactive Media in Retail Group (IMRG) believes that potential customers have been confused by the technology - "there has also been a horrendous failure rate with pilot projects, because people didn't realise the complexity of what they were getting into," he adds.

With more than 500 interactive retailing pilot projects started worldwide, but a handful of success stories, Roper is, if anything, understating the problem. But there are success stories. In the UK, Zanussi has increased sales (up by 30 per cent over three years), and

boosted brand awareness and market share by using interactive p-o-s in nearly 600 white goods stores.

Denmark, the estate agency Home has increased its market share from 15-23 per cent since installing an IBM-based system in 120 of its outlets.

In Germany, 550 pharmacists are plugged into the Tele-Apothek through-the-window marketing system; and in the US Sears Roebuck has publicised the fact that it expects to make annual savings of \$50m by cutting 7,000 staff and replacing them with p-o-s systems and interactive multimedia ordering kiosks.

All this activity so far represents only the tip of an iceberg. If the analysts' predictions are to come true then more than \$50m worth of new applications will need to come on stream in the next four years. That seems unlikely, but may not be impossible, for the latest multimedia communications systems being experimented with by high-flying corporations are multi-faceted, very large and relate to businesses' operational cores.

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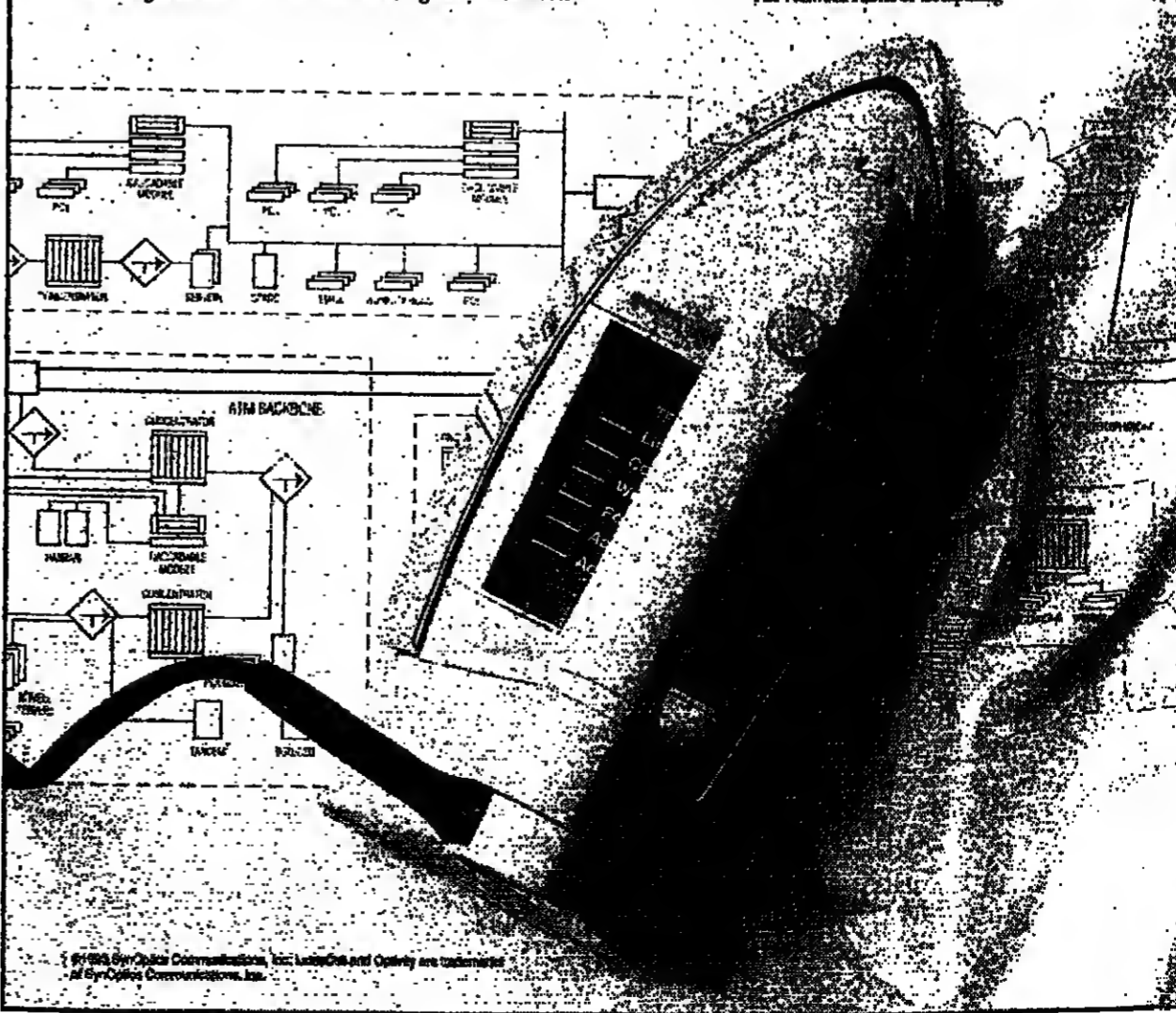
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USING COMPUTERS IN BUSINESS 8

Teleworking opens up new horizons

A CAREER with computers no longer means working in an office for eight hours a day. Many programmers already work remotely. And salespeople, too, are now home-working and travelling with laptops and modems.

On this page, CLAIRE GOODING looks at some of the arguments in favour of teleworking, and introduces some case-studies.

This topic was also examined in detail in the recent issue of the FT's "Software At Work" survey, published on Wednesday September 8. The next issue of "Software At Work" on November 29 will look at: office automation; geographical information systems; object orientated technology. For more information, see details on page four of this survey.



Telecottage open day: trainees at work during one of their exercises - "know your computer" - at the Eccles House Telebusiness Centre in the village of Hope in the Derbyshire Peak District.

USER VIEW

Easy way to Russia

Expert negotiators were vital to a new enterprise but one of their conditions was staying put, so the company set up to work remotely. Claire Gooding examines the technology it selected

MARKETING pharmaceuticals to Russia and other former Soviet states is a job that demands high-quality, specialised skills. And, as John Dyer, managing director of the Hollister Group of companies points out, most of the qualified people are of an age and experience to have established families, and are not keen to relocate, however exciting the opportunity with a young company such as Hollister.

"We use teleworking exclusively for our operations. We

deal direct with large institutions, ministries and government, and for that we need experienced people who have worked for pharmaceutical companies, wherever they are," he explains.

Hollister has staff in Norfolk, north London and Hamersmith in west London, all equipped with Macintosh computers, using Mac Connect software and ISDN lines. Another is coming on-line soon in Heathrow.

"We have Macs because they are far and away the best busi-

ness machines, they are quick to learn, intuitive to use and inherently simpler."

The Planet board gives access to ISDN; any alternatives, says Dyer, were painfully slow. Going into ISDN is simple, with a point-and-click menu and a list of pre-programmed numbers: the whole process can be made into one shorthand keystroke.

Hollister used a local Cambridge consultant, System Support, to advise, specify and implement the system. It still provides 24-hour support and advice if needed when unfamiliar software is used. The equipment cost about £6,000 per installation.

"The business benefits of teleworking are clear," says Dyer. "I can employ people who otherwise wouldn't work for me. We can all communicate easily, and standardise on systems." He uses his own Powerbook system at home and when travelling.

On the whole, teleworking has proved very straightforward, although the one disadvantage is that the employees miss social interaction in the office, and so regular reviews and contact is necessary. "However, most people love it - and with ISDN we can operate all over the world," says Dyer.

REMOTE WORKING IN RURAL AREAS

Service in high demand

Training from a distance is the task of Ace-Hi in the Highlands and Islands, but it needed the right technology to hold 'conversations' with trainees

FEW would deny that the quality of life in the Highlands and Islands is high, but there is little highly-paid work. Ace-Hi is a government-funded organisation set up on a Scandinavian telecottage model which trains people, mostly women, to become teleworkers or teletrainers.

Ace-Hi's chief executive officer, Caroline Hay, believes there is a large resource of highly skilled people in the highlands and islands, especially among women. It might take as many as three flights and a ferry to reach the Inver-gordon telecottage, so remote teletraining is vital and the service is much in demand.

"Three years ago we did a pilot training scheme for women in Ross and Cromarty who were housebound by caring commitments," explains Hay. "We had 100 applications for places."

Ace-Hi sought technology that would enable its DOS-based PCs to connect via a modem, and provide interactive "conversations" with the trainees. There were three criteria: a simple, friendly connection process for the end-user; cost; and the degree of interactivity - "there were only a handful of possibilities three years ago. Microcom won on simplicity of use, but as an unexpected bonus we also got easy file-transfer," says technical officer Colin Craig.

Hay is working on a vocational qualification for teletrainers, which she says must preface any large-scale attempts to train and market telework services. But already she notes a pattern of co-operation among the four now fully productive workers trained in the 1991 pilot. They have several

TECHNOLOGY FILE

The Association of Community Enterprises in the Highlands (Ace-Hi) trains small groups throughout the Highlands, Orkney, Shetland, and the Western Isles, who link up with their computer tutors. It is a limited company with charitable status.

Software: Ace-Hi has 50 copies of Microcom's Carbon Copy software for Windows. Version 3.1 offers remote control and file transfer capabilities for IBM and Windows 3.1 environments. Remote control allows one user to support, assist, train and collaborate with one another at different locations.

Hardware: IBM PC compatibles, modems and printers. The installation went live in 1988.

Supplier: Microcom was founded in the US in 1980 and has 10 employees in the UK office set up in 1986. Turnover exceeds \$4m. It acquired Carbon Copy in 1988 and now has more than 800,000 installations worldwide. The company concentrates on remote computing solutions such as networking and internetworking products, and created Microcom Networking Protocol (MNP) on data compression for modems.

Cost: Carbon Copy costs £146 (list price), available through VARS.

Contact: Martin Perry, general manager at Microcom UK. Tel 0483 740765

contracts of their own, but other work is shared.

"Skills such as word processing and other business tasks are easily done from home," she says. "It's a better-paid alternative to seasonal work in the tourist industry or waitressing."

LONG-DISTANCE TUTORIALS

Students log on

Education at home and in the office is available all over the world, on a study programme run from Wolsey Hall, Oxford

THE MBA is much sought-after qualification, but its popularity comes at a time when companies find it difficult to release staff for studies. Wolsey Hall, Oxford, is a Distance Education centre and is helping Oxford Brookes University to run a long-distance MBA programme for students all over the world.

According to Peter Newell, chairman of Open Learning Centre, Wolsey Hall, students come from every conceivable background, with ages ranging from 27-45, and one in 10 living outside the UK.

Although Newell hesitates to call this teleworking, long-distance computer conferencing is an important part of the teaching structure, connecting the tutor with a group of students who can log on for the cost of a local phone call.

"With the tutor as moderator, a valuable interaction takes place, not instantaneously, but perhaps over 24-36 hours," he says.

The mechanism for connecting the students is supplied by CECOMM, which provides each student with a "conference connection" pack, which enables them to connect a PC via a modem to the MBA host computer, using EUnet's Internet services.

The host runs electronic mail and conferencing software, and via Internet students can take part in the discussion groups or send private messages to the tutors, course administrators, or other students.

Newell uses the system to connect 15 outworkers (editors and proof readers for the course) and 200 authors and tutors. "The system is a good way of communicating for people who learn to use it well," says Newell.

"Electronic mail is not good for the autocratic manager because it's an equaliser. It's not a substitute for conversation but it's a remarkably powerful form of communication for quality, speed and efficiency: it enables communications to fly around the business very fast indeed."

EUnet GB pioneered the exchange of information between computers on public access networks in 1979. Now it supports the communications networks of hundreds of UK corporations.

CECOMM, an EUnet user, was set up in the 1980s to develop telematics in the educational field and is currently developing the teleworking methodologies used by such organisations as Wolsey Hall

and the Oxford Business School.

"We train tutors and co-ordinate people using the systems who can be corporate managers, part-timers - anyone using long-distance telecom tutoring," explains Charles Jennings, CECOMM consultant on Telematic systems.

Providing a simple interface is part of the job, especially as users cannot always have the standard Macintosh or DOS equipment.

"People just want a nice simple pipe that works," says Jennings.

When sitting alone at the screen, getting lost in the system is a danger. To help navigate, and answer the "Where am I?" question, CECOMM has devised a way of visualising the system with a "map" using a floor layout which looks like a faculty building, including administration (reception), conference hall, cubicles for study, seminar rooms and even a cafe.

In Jennings' experience, distance-learning by teleworking can suit all sorts.

TECHNOLOGY FILE

Software: Communications products configured by CECOMM.

Hardware: host PCs, systems are distributed to business training centres in Southampton, UK, and hosts for the MBA programme and EUnet.

Cost: Volume-related, according to the package components.

Supplier: CECOMM, founded by the UK government in the 1980s, provides a structured design methodology, Learning Network Design, to support non-technical academics, managers and learners who use telematics. It is the Business Enterprise.

Contact: Charles Jennings, Tel 0703 516214. Jennings has produced some of the highest-quality work as teleworkers.



RURAL LINK-UP: pictured here are staff in a typical telecottage, which is a workplace and training centre in the heart of a village. Such centres are filled with computers and communications equipment that can be used by local people. Britain's Telecottage Association is sponsored by BT, Apple Computers and the Rural Development Commission.

COMPUTER-RELATED SURVEYS

Forthcoming FT surveys on computer-related topics include:

- Computers in Manufacturing (October 15).
- Technology in the Office (October 28).
- Computers in Finance (November 9).
- Software At Work (November 29).

For synopsis details, contact the FT on 071-873-3763

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INSIDE

BZ earns SFr132m from trust

BZ Trust, the fund management arm of Mr Martin Ebner's BZ Bank Group in Zurich, has earned SFr132.7m (\$94.4m) in fees for managing BK Vision, an investment company it formed two years ago, in the first eight months of this year. Page 18

Navistar seeks share offer

Navistar International, the Chicago-based manufacturer of heavy trucks and diesel engines, has filed with the US Securities and Exchange Commission for an offering of 22m shares of common stock, to fund a retiree healthcare programme. Page 19

Nike shares fall on warning

Shares in Nike fell sharply in New York yesterday morning after the athletic shoe and apparel manufacturer warned that earnings in the current fiscal year would fall to match 1993 levels. Page 19

United front for media merger

Viacom, the cable company, and Paramount, the film and publishing company, have issued a statement saying that "no hostile takeover bid" would be allowed to stop their merger. However, Wall Street expectations rose of a hostile offer from QVC Network, a home shopping cable channel. Page 19

Hongkong Land rises 9%

Hongkong Land, the Jardine Matheson group's property investment arm, yesterday reported a 9 per cent rise in profit before extraordinary items to \$165.9m for the six months ended June 1993. Page 20

Housebuilder slips to £18m

Bryant Group, the UK housebuilding, property and construction company, yesterday reported a small decline in full-year pre-tax profits from £20.3m to £18.3m (\$28m). Page 23

Acquisition boosts merchant bank

Closa Brothers, the merchant bank, recorded a 42 per cent rise in pre-tax profits to £17.82m (\$27m), following its acquisition of Winterwood Securities, which makes markets in the shares of small and medium-sized companies. Page 25

A big leap into copper

Metalgesellschaft of Germany is about to take a big leap to becoming a global copper producer. By 1998 it should be producing about 800,000 tonnes on three continents - 9 per cent of present western world annual output. Page 26

World index slips back

In the five days to last Friday, the FT-Actuaries World Index fell 0.91 per cent, the same fall the week before. Back Page

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Chief price changes yesterday

FRANKFURT (DM)		PAPER (FFM)	
Alcoa	2250	Alcoa	105
Aluminum	515	Aluminum	470
Bois de France	746	Bois de France	804
Daimler-Benz	746	Daimler-Benz	804
Deutsche Bank	787.5	Deutsche Bank	1294
Mercedes	747	Mercedes	544
Schaeffler	972	Schaeffler	544
NEW YORK (\$)		NEW YORK (\$)	
Alcoa	109	Alcoa	730
Aluminum	174	Aluminum	4060
Bois de France	454	Bois de France	587
Deutsche Bank	694	Deutsche Bank	516
Mercedes	159	Mercedes	561
Schaeffler	45	Schaeffler	590

LONDON (Pence)		LONDON (Pence)	
Alcoa	56	Alcoa	234
Aluminum	55	Aluminum	83
Bois de France	224	Bois de France	125
Daimler-Benz	498	Daimler-Benz	36
Deutsche Bank	430	Deutsche Bank	710
Mercedes	38	Mercedes	17
Schaeffler	49	Schaeffler	100
Smiths Inds	114	Smiths Inds	44
Morgan Crucible	323	Morgan Crucible	9

Nordbanken's gain shows in agency's loss

By Christopher Brown-Humes in Stockholm

THE EXTENT of the problems jettisoned by the Swedish commercial bank Nordbanken was made clear yesterday when Securum, which took on most of its bad debts, announced a SKr12.9bn (\$1.64bn) loss in its first six months of operation.

Securum was set up by the Swedish government in January to speed up the reconstruction of Nordbanken, allowing it to be returned to the private sector as early as the second half of next year. Some SKr7bn in bad debts were taken on by Securum, a separate state-owned agency which received a SKr24bn equity injection from the government.

Nordbanken's subsequent return to profit has prompted criticism that it has gained an unfair advantage over rivals who have not received state assistance. In the first half of 1993, Nordbanken bounced back to a SKr1.7bn profit from a SKr5.2bn loss in the same period of 1992. Securum's six-month deficit stemmed almost entirely from SKr12bn in credit losses, mainly linked to the collapse of the Swedish property market. Around 40 per cent of the losses are linked to 15 large credit engagements.

The process of selling off assets has already begun, although the focus of Securum's efforts has been to sort out its bad loan portfolio with a view to enhancing future sales values. The agency has been deliberately constructed to avoid the need for distressed sales, with the sell-off phase expected to last up to 15 years.

"We are only two miles into a marathon," said Mr Lars Thumell, the head of Securum. The reorganisation of the credit portfolio is nearly complete and future losses are expected to be much smaller. Around SKr15bn of Securum's SKr24bn capital has already been wiped out, and the balance is expected to disappear during the disposal phase.

Securum has 15 daughter companies, with activities in Sweden, the US and a range of European countries including the UK, Germany and the Benelux states.

It has already taken over 450 properties in Sweden, but the final total is expected to be between 1,500 and 2,000. In addition to property, Securum owns 61 per cent of Nobel Industries. Sweden's Bank Support Authority, the state body set up to tackle Sweden's banking crisis, said yesterday it had written down the value of Securum by a further SKr13.15bn to SKr1bn.

SocGen to raise Rhône-Poulenc and AGF stakes

By Alice Rawsthorn in Paris

SOCIÉTÉ Générale, one of France's largest banks, plans to raise its minority stakes in Rhône-Poulenc, the chemicals company, and Assurances Générales de France (AGF), the insurance group, as part of the French government's privatisation drive. Mr Marc Vénot, chairman, said in an interview with Les Echos, the French financial newspaper, that his bank was "definitely interested in strengthening our investment position" in Rhône-Poulenc. He also envisaged increasing Société Générale's holding in AGF, which he regarded as a "well run business".

Since it first unveiled its privatisation plans, the new centrist French government has made it clear that it hopes to enlist *royaux durs*, or "hard core" shareholders, to take long-term stakes in former state-controlled companies.

The *royaux durs* are part of corporate tradition in France, where the state has historically played a prominent part in industrial ownership and strategy. Hard core investors are seen as a means of stabilising newly privatised concerns and protecting them against hostile takeovers. Société Générale, which was privatised in the mid-1980s by the last conservative French government, was one of the first companies to declare an interest in acting as a *royaux dur*.

It already holds stakes of less



Marc Vénot: "Interested in strengthening our investment"

than 5 per cent in both Rhône-Poulenc and AGF. Mr Vénot said those holdings would be increased. However, he stressed that Société Générale planned to stick to its present policy of spending between FF2bn and FF3bn (\$344m) a year on investments.

A number of other prospective *royaux durs* have emerged. Banque Nationale de Paris (BNP), the first candidate for sale, will continue its cross-shareholding agreements with Union des Assurances de Paris (UAP), the French insurer, and Dresdner Bank of Germany. Matra-Hachette, the electronics and media group, has indicated its interest in Renault, the car company due to merge with Sweden's Volvo.

Lex, Page 18

Bond issues push MAI up to £80m

By Peggy Hollinger in London

RECORD bond issues by governments and companies fuelled a 13 per cent increase in pre-tax profits at MAI, the financial services, information and media group headed by Lord Hollick.

The group, which yesterday announced pre-tax profits of £90.2m (\$123.5m) for the year to June 30, also revealed that its 61 per cent-owned broadcasting company, Meridian, was ahead of budget. Meridian was the ITV south of England franchise with a £38m bid.

MAI's results, struck on turnover 36 per cent up at £525m including an £86.6m contribution from Meridian, were slightly ahead of analysts' expectations. Forecasts were upgraded by as much as £7m to £96m for the current year.

Lord Hollick, managing director, said profits had been driven by currency gains and the group's securities business in the US and UK. Governments had

increasingly sought funding from bond markets. Foreign exchange dealing had been less satisfying, with the poorest performance out of Asia. Business in Japan had been held back by turmoil in the Japanese banking sector, and the collapse of the Tokyo stock market. Overall, money broking and securities increased trading profits by 27 per cent to £55.9m.

The information division saw a 70 per cent rise at the trading level to £28m, due to cost savings from the merger of the market research groups NOP and MRI and a maiden contribution from financial information.

Retail financial services enjoyed a strong contribution from Wagoo, the car finance operation. However, the insurance arm, Safeguard, had been hit by intense competition from direct telephone sales.

Earnings per share rose from 13.7p to 15.8p. The dividend was increased by 6 per cent to 4.9p, for a total of 6.9p (9p). Lex, Page 16

Michel Pébereau talks to Peter Martin and Alice Rawsthorn

Growing together to make banking exciting

THE task facing Mr Michel Pébereau, recently appointed head of Banque Nationale de Paris, is to make business as usual sound exciting and glamorous as he sets about persuading investors to buy the shares. BNP, France's third largest bank, heads the new government's queue of privatisations.

Mr Pébereau admitted the bank had a problem with profitability - net profits in the six months to June 30 fell 61 per cent to FF522m (\$81m) - but that was because of the economic climate. An improvement was already on the horizon: "I feel that we are now at the bottom of the economic cycle," he said yesterday.

"Our small corporate clients are less pessimistic and there has been a slight improvement in the residential property market. The economy ought to recover progressively from early next year."

For the bank, this year was proving difficult and 1994 would not be easy; a sustained recovery in profits would probably start in 1995. Such short-term worries aside, the bank needed merely "classic management strategy", building on its strengths as both a *banque de proximité*, or neighbourhood bank, and as an international bank for big clients.

Mr Pébereau drew a clear distinction between his former role as boss of Crédit Commercial de France, which he repositioned as a specialist banker to the entrepreneurial classes, and the job he faces at BNP. "CCF is a medium-sized bank which can move quickly into market niches. BNP is a far larger bank which is pre-occupied by market share."

As a result, BNP plus a good part of its future on the continued role of the neighbourhood bank in France. The fact that each of its 2,000 branches caters for a wide range of customers - from a company president to the lowest-paid of his employees - was a marketing challenge, not a strategic problem, said Mr Pébereau.

The branch network could be made more profitable by pushing through more insurance products. Some of these would come from Union des Assurances de Paris, the state-owned insurer, which has cross-shareholdings with BNP.

But better returns would also come from keeping a close eye on the profitability of individual branches. Why were French banks on the whole less profitable than those in other European countries? "We're not over-manned," said Mr Pébereau. Measurements of individual productivity showed BNP comparing well with its foreign rivals and it was ahead of many of them on information technology.

Costs were relatively high in relation to revenues by international standards largely because French banks' prices for their



Michel Pébereau: "I feel that we are now at the bottom of the economic cycle"

services were low. That might change in coming years as the attitude of non-profit-making institutions, such as Crédit Agricole and other mutual banks, became more commercial.

The needs of local clients were an important factor in BNP's alliance with Germany's Dresdner Bank, which will lead after privatisation to 10 per cent cross-shareholdings. Though the deal carries wider ambitions, part of its purpose is the mundane one of improving banking connections between local clients in the two countries.

"BNP's French clients can use the Dresdner network in Germany and their German clients can use our branches in France," he said. "Eventually, we will need to offer a similar facility in other European countries."

The other aim of the relationship with Dresdner is ensuring that the two emerge as members of what Mr Pébereau believes will be a small group of leading international banks, perhaps eight in all. Shoulder to shoulder, BNP and Dresdner have a better chance of staying close to the front of a pack that includes such sharp-elbowed competitors as Citicorp. Displaying his civil service training, Mr Pébereau reeled off a list of the four types of international clients the two banks would target and the six types of service he hoped to sell them.

Just as significant, however, are the things he is not proposing to do on the international scene. His neighbourhood banking ambitions are confined to France, so such interesting oddities as

Bank of the West, a retail bank BNP owns in northern California, will remain just that: an interesting oddity.

He has no desire to set up a big trading operation, implying revenues will continue to be heavily dependent on interest income. And he does not expect to break into the international mergers and acquisitions business.

French retail investors are being offered a simpler message. Though a price for the offering will not be announced until early October, the television commercials are already running using a slogan which emphasises BNP's customer relationships: "Let's grow together."

The trick, as Mr Pébereau realises, is to keep the togetherness and still achieve the growth. Lex, Page 16

UAM to acquire large Scottish fund manager

By James Buxton, Scottish Correspondent

MURRAY Johnstone, Scotland's second largest independent fund manager, is to be acquired for £49m (\$75m) by United Asset Management, a quoted US company.

Murray Johnstone, which manages funds totalling £4.3bn, will retain its name and independence of operations, investment policies and personnel.

UAM is a holding company based in Boston which owns 35 fund management companies, managing a total of \$86bn. It has a market capitalisation of \$1.1bn in New York.

UAM does not manage securities itself and does not dictate investment strategies to its subsidiaries but it encourages them to compete against each other. UAM will receive a percentage of Murray Johnstone's revenue.

The acquisition of Murray Johnstone is UAM's biggest outside the US. It already owns two London-based fund managers, Alpha Global Fixed Income Managers and Ki Pacific Asset Management.

Four Murray Johnstone investment trusts - Murray International, Murray Income, Murray Smaller Markets and Murray Ventures - own 75 per cent of Murray Johnstone Holdings. They and the current and past employees who own 18 per cent have agreed to UAM's offer of new shares in the US company with a cash alternative. The remaining 8 per cent is owned by Kemper Financial Services of Chicago.

Murray Johnstone said: "We're delighted to have found a solution which enables us to retain our managerial independence."



Barclays de Zoete Wedd acted as lead manager for Dasha Gas Co Ltd in the issue of £150,000,000 8.125 per cent bonds due 2003

August 1993



Barclays de Zoete Wedd acted as lead manager for the International Bank for Reconstruction and Development in the issue of £150,000,000 7.25 per cent bonds due 1998

June 1993



Barclays de Zoete Wedd acted as lead manager for the European Investment Bank in the issue of £200,000,000 7.75 per cent bonds due 2000

March/April 1993



Barclays de Zoete Wedd acted as lead manager in the Kingdom of Swaziland in the issue of £350,000,000 9.625 per cent bonds due 2000

July 1993



Barclays de Zoete Wedd acted as joint book runner for The Karani Electric Power Company, incorporated in the issue of £300,000,000 7.125 per cent bonds due 1998

April 1993



Barclays de Zoete Wedd acted as lead manager for the New Zealand in the issue of £150,000,000 7.375 per cent bonds due 1998

March 1993



INTERNATIONAL COMPANIES AND FINANCE

BZ Trust earns SFr133m for managing BK Vision

By Ian Rodger in Vienna

BZ Trust, the fund management arm of Mr Martin Ebner's BZ Bank group in Zurich, has earned SFr133m (SFr133m) in fees for managing BK Vision, an investment company it formed two years ago, in the first eight months of 1993.

BK Vision specialises in investing in Swiss financial shares and in the past few months Swiss banking shares have performed very well.

The BZ Trust fee schedule provides for sharply increasing fees as the performance of the funds it manages improves. BK Vision bearer shares rose in the first eight months of 1993 by 43.1 per cent to SFr1.431. Its net asset value at the end of August was SFr1.4bn or

SFr1.425 per bearer share.

Mr Kurt Schlittmecht, president of BZ Trust, said there had been no criticism of the fees from shareholders. "They are looking at the performance of the share," he said.

The BZ commission formula provides that fees are paid quarterly based on the rise in the BK Vision share price. If the price rises by less than 5 per cent (on an annualised basis), no commission is paid. If the rise is between 5 and 10 per cent, the fee is 20 per cent of the increase. Between 10 and 15 per cent, it is 35 per cent and thereafter it is 50 per cent.

Mr Schlittmecht pointed out that the structure also has an important negative side. If the share price declines, then it must recover its loss and gain

6 per cent before any commission is paid.

Critics say that it is no great achievement for a specialised fund to achieve large gains when its sector as a whole is doing well. It would be more appropriate, they argue, to relate the fees to the extent to which BK Vision shares outperformed the banking sector.

Mr Schlittmecht rejected this criticism. "Other people follow the same approach as we do," he said. "We informed investors in advance, and everyone who buys the shares knows what the structure is."

BZ Trust drew similarly large fees a few months ago from Pharma Vision, another investment company it manages, when pharmaceutical share prices were performing very strongly.

Spotlight on Altus and Phénix bid for FNAC

By Alice Rawsthorn in Paris

THE FRENCH stock market authorities have asked Altus Finance and Compagnie Immobilière Phénix to clarify their intentions towards FNAC, the music and books retailer, following an official investigation into their bid for control of the company.

The investigation, which began last month after complaints about the circumstances of the Altus and Phénix bid, concluded that a fair value for FNAC, a bastion of French retailing and the dominant force in the music and books market, was between FF2.4bn (\$427.05m) and FF2.7bn.

Under the terms of their bid Altus, an subsidiary of the Crédit Lyonnais banking group, and Phénix, part of the Compagnie Générale des Eaux utilities concern, had an option to buy a controlling 54.78 per cent stake in FNAC for FF1.2bn, thereby valuing the company for only slightly less than the lowest estimate.

Altus and Phénix negotiated the option to buy the controlling holding with Garantie Mutuelle des Fonctionnaires (GMF), the French mutual insurance group which needed to raise capital to counter its losses on other activities.

Other prospective purchasers have indicated their interest in FNAC, notably Pinault-Printemps, the heavily indebted French retail group, and Bertelsmann of Germany.

Spanish bank completes deal

BANCO Santander yesterday said its takeover bid for Portugal's Banco de Comercio e Industria (BCI) had closed successfully. The Spanish bank's stake in BCI is now up to 74.8 per cent from 19, AP-DJ reports from Madrid.

The bank paid Esl.400 a share for the stake, representing a premium of 40 per cent. It spent a total of Esl.1bn (\$128m).

The bid was launched last May.

Metal group suitor under wraps

Kenneth Gooding on the mystery surrounding Union Minière

WHO IS courting Union Minière? That is one of the best kept secrets in the mining and metals business.

Some time has gone by since UM's owner, Société Générale de Belgique, started discussions with a "potential industrial partner" for UM and when the half-year results were announced last week La Générale mentioned them again. But even those analysts closest to the companies have no idea of the potential partner's identity.

Perhaps this is because UM has given them so much else to think about.

It has thrown itself enthusiastically into a cost-cutting exercise designed to improve margins by BFR4bn (\$116m) a year by the end of 1994 and to have full impact in 1995.

At the same time a change of strategy will see UM reduce its exposure to the highly-cyclical zinc market while investing in copper, precious and special metals and recycling.

This started the metals industry because UM is the western world's biggest producer of refined zinc. Now it wants to quit zinc mining by selling its US and Swedish operations within five years. The remaining European refining business will be used to fund expansion elsewhere.

The reorganisation is going smoothly so far. 1,312 people have been made redundant, about 10 per cent of the workforce, and BFR2.35bn of savings were achieved by the end of 1992. Although net group operating profits fell by 45 per cent to BFR478m in the first half, UM believes the rationalisation helped keep it in the black in "an extremely unfavourable economic environment".

What of the partnership talks?

The group took shape after

the original idea was for the partner to buy about 30 per cent of UM for between BFR14bn and BFR17bn and thus reduce La Générale's stake to just above 50 per cent. Analysts suggest a deal was very close earlier this year but the relationship has cooled and it is now unlikely SGB will cut its UM shareholding this way.

Mr Jean-Pierre Rodier, UM's chief executive, who is leading the discussions, certainly gives the impression there is no urgency. He meets executives of UM's potential partner every now and then "to discuss strategic issues". He says: "It might make sense for the companies to meet every two or three months and one day we might have a deal. It might take three months, it might take two years."

A sale to an industrial partner would "be an exciting way of reducing the La Générale shareholding - but we could always use the stock market instead".

In fact, La Générale made a start recently when London stockbrokers Smith New Court bought 5.2 per cent of UM from SGB and sold it to a number of institutions for about \$50m.

These corporate manoeuvres will continue. Compagnie Financière de Suez, the French investment bank, in 1987 won a bruising battle with Italian financier Mr Carlo De Benedetti for control of SGB, Belgium's biggest holding company. Now Suez wants to sell its industrial interests within five years and concentrate on financial services. Therefore many analysts assume that La Générale eventually might sell all its UM shareholding.

Mr Rodier hopes that none of this will interfere with the initiatives he is taking at UM.

The group took shape after

the Suez takeover when all the metals-related activities of La Générale - including Metallurgie Hoboken-Overpelt and Vieille Montagne - were put into one company, but one that lacked strategic direction.

Mr Rodier was recruited from Metaleurope, another European zinc group where he was chief executive, early in 1991 to provide that direction.

He split the group into 12 divisions to make it more responsive and gave much more responsibility to the management of each division. And, as a first step towards restoring UM to profitability, at the end of 1991 he brought forward by a year closure of the zinc operations at Overpelt in Belgium, which lost BFR300m in 1991, and shelved indefinitely a plan to double annual capacity to 400,000 tonnes at the Balen refinery, also in Belgium.

Mr Rodier says UM previously was making only an 8 per cent return on capital over the business cycle whereas La Générale sets a target of 14 per cent. To achieve that target UM must improve its operating margin by BFR4bn a year by 1994-95 compared with 1991.

The initial plan estimated that 61 per cent of the BFR4bn savings required would come from cuts in industrial and administrative costs, 38 per cent from increasing commercial margins, 15 per cent by increasing production volumes and 6 per cent from carefully screening investments.

Some BFR1.5bn of savings were realised by the closures at Overpelt and cutting headquarters' staff. Another BFR1.5bn will come from a large number of small projects, such as opening up manufacturing bottlenecks, restructuring,

dropping products and so on, most of which are to be realised at the Hoboken plant in Belgium which recycles lead and waste materials to produce precious metals.

The final BFR4bn is to come from a "basket of ideas" from divisional managers.

UM is the biggest producer of refined copper in Europe and sixth largest in the world but has no mines or smelters of its own. Much of its output goes to produce downstream products such as its own Control wire. The copper refinery at Olen in Belgium needs to be modernised - a decision will be taken early in 1994 - but to make that worthwhile UM must secure more raw material supply.

At present, it gets about one third of its stake in the Canadian mining-smelting operations in Mexico and it is in the final process of signing a 10-year supply deal with another big smelting company. This would involve expansion of an existing smelter by an annual 50,000 tonnes for between US\$50m and \$100m.

UM also intends to invest BFR1bn in waste refining activities, lead/copper smelting and recycling activities at Hoboken.

Recycling of cars will grow dramatically in the next 10 years and UM is considering investing between BFR500m and BFR1bn to become one of the key players.

Analysts expect Mr Rodier to sell off non-core assets such as investments in Asturienne, a mica products company, the OVP Plascobel plastics operation and Sibek, a diamond company. But they are still guessing about the potential partner which is supposed to reduce UM's exposure to the metals price cycle.

Finmeccanica units in US move

By Robert Graham in Rome

FINMECCANICA, the principal industrial arm of IRI, the Italian state holding company, has decided to float 40 per cent of two of its leading engineering subsidiaries in the New York stock market.

The floatations of Eltag Bailey Process Automation and Union Switch and Signal, which await Security and Exchange Commission approval, are due to be completed by the end of the year.

Eltag Bailey Process Automation is a recently created Dutch company encompassing the international automation process equipment and numerical control activities of Genoa-based Eltag Bailey. These international activities generate an annual turnover of \$300m, equivalent to some 60 per cent of the total.

Risa Bailey, the parent, is already quoted in Italy with some 20 per cent in third-party hands. Finmeccanica has been concentrating on this group as

one of the main sectors generating future earnings, and needs the funds from flotation to finance costly restructuring elsewhere - especially in the defence and aerospace sector.

The same considerations lie behind the quotation of 40 per cent of Union Switch and Signal, a US-based company controlled by Finmeccanica's engineering and rolling stock group headed by Ansaldo. Union, a leader in railway signalling and switching gear, has plants in the US and Canada.

Morgan Crucible stronger than feared

By Richard Gourlay in London

MORGAN Crucible, the UK-based materials technology group, yesterday went some way towards dispelling concerns about its balance sheet and profitability.

Reporting a 5 per cent rise in interim pre-tax profits to £32.5m (\$49.7m), Mr Bruce Farmer, chief executive, said the group generated £5.3m of net cash after maintaining capital expenditure, against a £26m outflow last year.

Analysts were equally encouraged that Mr Farmer reconfirmed a commitment to

resist the acquisition trail.

Six months ago investors were concerned about the group's high gearing, the use of acquisition provisioning that appeared to bolster profits and the sheer volume of corporate deals.

Mr Farmer would not comment on progress towards selling the Holt Lloyd car care business, which is considered non-core and depresses group operating margins. The subsidiary made a £3m first-half operating profit in a "sparkling performance" and was likely to make £7m for the full year, he said.

The pre-tax profit increase was struck on sales up 19 per cent to \$401.6m, or an increase of 6.4 per cent excluding the effect of currency adjustments and acquisitions.

Earnings per share rose 2 per cent to 9.6p and the group is paying a maintained 5.75p interim dividend.

Morgan Crucible squeezed £23.7m cash out of working capital - equally from stock and debtors - but net debt remained less than £1m lower than the year-end figure at £157.7m after adverse currency movements.

Lex, Page 18

Georg Fischer foreshadows net loss for full year

By Ian Rodger

GEORG FISCHER, the Swiss foundries and engineering group, expects to report a group net loss of between SFr30m (\$21.1m) and SFr5m this year, following a depressed SFr11m profit last year.

The group, which is heavily dependent on the German motor industry, said it had made a loss in the first half, but gave no figure.

Sales in the first eight

months fell 23 per cent to SFr1.3bn, 13 per cent excluding divested businesses. New orders during the same period fell 18 per cent to SFr1.3bn.

The group said its process of concentrating on key businesses was largely completed and it aimed to return to break-even next year in spite of recessed markets.

Steyr-Daimler-Puch, the Austrian engineering group 71 per cent owned by Creditanstalt-Bankverein, plunged to a first-half loss of SFr161m (\$14.2m) after a SFr22m profit in the same period last year. Sales tumbled to SFr5.59bn from SFr8.13bn.

The group saw no improvement in the short term.

NEW ISSUE

This announcement appears as a matter of record only.

AUGUST 1993

£250,000,000



National Power

NATIONAL POWER PLC

(Incorporated with limited liability in England and Wales. Registered number 2366963)

6 3/4% Convertible Subordinated Bonds Due 2008

CS First Boston
Cazenove & Co.J. Henry Schroder Wagg & Co. Limited
Smith New Court Securities LimitedBarclays de Zoete Wedd Limited
Deutsche Bank AG London
NatWest Securities LimitedBNP Capital Markets Limited
Hoare Govett
Swiss Bank Corporation

UBS Limited

All of these securities having been sold, this announcement appears as a matter of record only.

\$55,000,000

Kearny Street Real Estate Company, L.P.

9.56% Secured Pay-Through Notes,
Class D, Due 2003MORGAN STANLEY & CO.
Incorporated

GOLDMAN, SACHS & CO.

September 1993

Credit Lyonnais
USD 500,000,000 FRN
Undated

Bondholders are hereby informed that the rate for the coupon N° 9 has been fixed at 4.1%, for the period, starting on September 20, 1993 until December 19, 1993 inclusive, (representing a period of 91 days). The coupon will be payable on December 20, 1993 at the price of USD 103.64. The Principal Paying Agent

CREDIT LYONNAIS

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CHRONICLE

On sale
every Friday
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newsagent

FINANCIAL TIMES

£200,000,000
MFC Finance No. 1 PLC
NOTICE OF REDEMPTION
Series 'A' to 'F' Mortgage Backed Floating Rate Notes
Due October 2003
Notices are hereby given, that in accordance with Conditions 5(a) of the Prospectus dated 13th October 1992, the Issuer intends to redeem £1,000,000 in aggregate value of the Notes on the respective October, 1993 interest payment dates.
By Citibank, N.A. (Issuer Services)
September 21, 1993

CITIBANK

THE STARS PROGRAMME
STARS 1 PLC
£475,000,000 Class A Floating Rate
Mortgage Backed Securities 2029
Notice is hereby given that the Principal outstanding on the subject issue for the interest period September 27, 1993 to December 29, 1993 will be £288,709,335.
The Principal amount outstanding for each note is £9,889.00.
September 21, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

INTERNATIONAL COMPANIES AND FINANCE

Players take the field for Paramount bid battle

POWERFUL forces are rumbling into position for what increasingly looks like becoming a takeover battle royal for Paramount Communications, the film and publishing company which agreed nine days ago to be acquired by cable company Viacom for \$8.2bn.

No other bids are yet on the table, but increasing anxiety was evident at Viacom and Paramount yesterday when the two companies issued a statement declaring that "no hostile takeover bid" would be allowed to stop their merger.

Nevertheless, shares in Paramount rose sharply again on the New York Stock Exchange, to stand at \$69.4, up 7% at lunchtime, as Wall Street expectations intensified of a hostile offer from QVC Network, a home shopping cable channel headed by Mr Barry Diller, a highly respected former Hollywood executive.

Meanwhile, Mr Ted Turner, the mercurial head of Turner Broadcasting System, is also looking at ways of getting involved in a bid for Paramount.

Other large media companies, both US and European, are believed to be eyeing up Paramount to see whether they can launch a full bid or at least profit from any post-takeover break-up of the business.

Wall Street merger and acquisition specialists are salivating over what could be the first major hostile takeover bid in the US since American Telephone & Telegraph's \$7bn acquisition of computer company NCR in 1991.

It is not difficult to see why there is so much manoeuvring. Paramount owns Paramount Pictures, one of few leading Hollywood film studios not yet taken over by a giant conglomerate, and that makes it an extremely attractive property in a world where media businesses are keen to integrate vertically television and film production, packaging and distribution over cable networks.

The likeliest counter-bidder is QVC, although at first sight it might seem an improbable contender. It is relatively small, with 1992 turnover of \$1bn, compared to Paramount's \$4bn.

Viacom's \$8.2bn offer for the film group looks set to spark a hostile exchange, says Martin Dickson

However, Wall Street has been expecting great things from QVC since Mr Diller took a large equity stake last December and became chief executive.

Mr Diller, who played a key role in building Rupert Murdoch's Fox group into America's fourth television network, sees a great future in home shopping as the US enters the age of interactive home entertainment, but he is also considering using the company as a vehicle to build up a much more broadly based media empire.

He has some very powerful allies. The other leading shareholders in QVC are Comcast, a large cable television service company, and Liberty Media, a cable programme supplier.

Liberty was spun off in 1991 from Tele-Communications Inc, the largest cable service company in the US, although it retains strong links with TCI. Mr John Malone, the chief executive of TCI is also chairman of Liberty.

TCI, unlike chief rival Time Warner, the second largest cable service company in America, does not own a movie studio.

Comcast and Liberty are rumoured to be prepared to put \$1bn behind a QVC bid for Paramount, through a purchase of convertible securities, which would give much greater credibility to a bid by Mr Diller and could allow him to offer more cash than the \$8.1bn share offer in Viacom's bid, which consists mainly of stock.

However, a bid by QVC could run into political and anti-trust difficulties, given its links with Mr Malone. TCI accounts for some 20 per cent of an industry whose monopolistic structure makes it far from popular in Washington - particularly since

a package of regulatory reforms which were intended to cut cable rates seems in many cases to have increased them.

The Clinton administration has yet to show just where it stands on anti-trust policy, but it has threatened to be tougher than the laissez faire Bush administration. And Mr Al Gore, the vice president, seems to be no fan of Mr Malone. He is reported to have once called him the "leader of the cable Cosa Nostra".

Bringing Turner Broadcasting into a bid would create even greater complications and potential conflicts of interest. That company's leading shareholders include TCI, as well as Time Warner, whose ownership of Hollywood's Warner Brothers studios would prompt anti-trust questions.

These issues apart, a rival bid could face problems over takeover tactics. First, Paramount has put in place a poison pill which allows Viacom to buy 20 per cent of its stock at \$69.14 a share (the initial value of Viacom offer) under "certain circumstances" - which presumably means a rival offer higher than that.

Parliament would also have to pay Viacom \$100m for non-consumption of the deal.

However, dissident shareholders are already challenging the stock sale "lock up" in the courts of Delaware, where Paramount is incorporated. Such poison pills rarely prevent bids going through.

Another problem, though a long way down the road, could come from the courts of Delaware, which in an important test case in 1989 allowed the board of Time to accept an offer from Warner Communications, even though it was lower than a rival offer from Paramount, on the grounds that the board deemed it to be in the group's best long-term strategic interests.

How ironic, then, that Paramount should yesterday attack the idea of a hostile bid by declaring that the Viacom deal would create for shareholders "a global media entity unparalleled in the entertainment world."

Navistar to restructure healthcare funding

By Laurie Morse in Chicago

NAVISTAR International, the Chicago-based manufacturer of heavy trucks and diesel engines, has filed with the US Securities and Exchange Commission for an offering of 22m shares of common stock. The issue is to fund a retiree healthcare programme.

The benefit fund, and the stock offering, are part of an unusual contract settlement reached earlier this year with current and former Navistar employees. The restructuring is expected to save Navistar \$300m annually.

The stock will have a par value of 10 cents per share and should raise about \$600m. An additional 5m shares will be issued if the offering is oversubscribed.

Navistar plans to place \$300m of the proceeds immediately into the healthcare benefits programme and use the balance as working capital. However, all of the funds from the offering must be contributed into the healthcare fund within five years.

The new stock issue will increase Navistar's outstanding shares by about a half. Upon completion of the offering, the company will have about 73m common shares outstanding.

Navistar shares were down 5% at \$20.4 before the close in New York yesterday.

Computer group completes deal

HEWLETT-PACKARD, the US electronics group, yesterday completed its acquisition of BT&D Technologies, a joint venture between BT and DuPont specialising in fibre optics, writes Alan Cane.

According to Mr William Craven, general manager of H-P's components group, the deal will make H-P the world's largest independent supplier of optoelectronic components. Agreement in principle to the purchase had been reached in May.

Row looms over US accounts rules

By Richard Waters in New York

THE accounting profession yesterday fired the opening shots in what it likely to become a contentious battle to force US companies to disclose more information about their operations.

In the past this has proved one of the most contentious areas of debate between accountants and companies, many of which fear greater disclosure would give valuable information to competitors.

The US's leading professional accounting body also suggested companies should give readers of financial state-

ments more information to assess a company's prospects, such as the market share of its main products and its strategy. Auditors would have to produce reports assessing the quality of earnings.

"We were concerned that financial reports are becoming a smaller and smaller part of the information used to assess companies," said Mr Edmund Jenkins, chairman of the AICPA special committee on financial reporting.

The Financial Executives Institute, however, said the requirements could force companies to release sensitive

information. Mr Norman Roy, president, said he was concerned the accounting profession had gone public with its plans without talking to company representatives.

As part of the move to force directors and auditors to give broader information and assessments of earnings, the committee will recommend a reform of liability law, said Mr Jenkins, a partner in the accounting firm Arthur Andersen. This would produce a "safe harbour", or immunity from legal action, for directors and auditors who conformed with certain standards.

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Profit warning hits Nike shares

By Frank McGurty in New York

SHARES in Nike fell sharply in New York yesterday morning after the Oregon athletic shoe and apparel manufacturer warned that earnings in the current fiscal year would fall to match 1993 levels.

In response to the announcement, Wall Street marked down Nike's shares by 17% to a 52-week low of \$46.4 in heavy trading. The stock, which was hit hard in June after the company scaled back its growth projections, has lost nearly half its market value since last November.

The company said it was basing its projections on a downturn in "futures" orders, placed by retail outlets six months ahead of delivery. These were lagging, it said, because retailers remained cautious in the face of continued economic sluggishness in the US and overseas.

In the first quarter, to August 31, net income was \$14m, or \$1.49 a share, down 7 per cent from the comparable period of 1992, when Nike posted earnings of \$122m, or \$1.80. It said unfavourable currency exchange rates and higher US taxation were largely responsible for the

decline. If these factors had remained at 1992 levels, earnings would have been \$1.61 a share, about the level analysts had anticipated.

The setback came on the back of a 1 per cent increase in revenues to \$1,070m, against \$1,069m in the first quarter of 1992.

In the US, footwear sales out-paced last year's levels by 5 per cent, led by an 29 per cent increase in outdoor shoes, the category which is expected to show the most growth in the current year. Sales of basketball shoes, Nike's mainstay line, slid 16 per cent to \$159m.

Cascades sells carton plants

THE international Cascades paper and packaging group has sold three US carton plants and two Canadian plants to Shorewood Packaging of the US for C\$144m (US\$109m), almost all in cash, writes Robert Gibbons in Montreal.

The deal completes a series of Paperboard Industries' asset sales intended to reduce the company's debt.

Cascades acquired Paperboard Industries last December, and took it public. Last month it sold several of its western Canada packaging plants to a Canadian group for almost C\$100m.

Mexico sells 51% holding in state insurer

By Damian Fraser in Mexico City

THE MEXICAN government has sold 51 per cent of the state-owned insurance company Aseguradora Mexicana (Asemex) to Grupo Mexical-Banpals for 1,807bn pesos (\$362m).

Asemex is Mexico's fourth-largest insurer, with assets of 4,219bn pesos. It is the country's leading casualty company, and insures federal government entities, such as

Patroles Mexicanos, against damages. It also insures some of the country's leading companies, such as Aeromexico, Mexicana, Alfa, ICA and TMM. In the eight months to August, it posted profits of \$2.8m pesos. The purchase turns Mexical-Banpals into Mexico's fourth-largest financial group by assets. Banpals, a medium-sized Mexican bank, was itself bought from the government by the brokerage Mexical for 544.9m pesos in June 1991.

The finance ministry said

Mexical-Banpals would incorporate Asemex into its financial group, and aim to penetrate the life assurance market. It would also seek to sell an equity stake in Asemex to one or two foreign insurance companies.

Mexico's insurance industry suffered in the highly inflationary 1980s, with life assurance products performing particularly poorly. In 1990, insurance premiums only constituted 1.3 per cent of GDP, against 3 per cent in Chile and

3.1 per cent in Argentina. However, with inflation now down to single digits, and incomes rising, the sector is expected to grow.

In anticipation of growth, several foreign insurance groups have recently formed alliances with Mexican companies. Commercial Union of the UK, Aetna, and New York Life Insurance Company of the US and Assicurazioni Generali of Italy, among others, have acquired large minority stakes in Mexican insurers.

This announcement appears as a matter of record only

September 1993



COLGATE-PALMOLIVE

Has acquired 100% of



The undersigned initiated the transaction and negotiated the terms on behalf of the sellers



OGILVY RENAULT

BARRISTERS AND SOLICITORS



The Right Honourable Brian Mulroney

Ogilvy Renault is pleased to announce that The Right Honourable Brian Mulroney, P.C., LL.D. has rejoined the firm as a senior partner. Mr. Mulroney served as Prime Minister of Canada for almost nine years. Prior to 1976, Mr. Mulroney was a partner of Ogilvy Renault.

Founded in 1879, Ogilvy Renault offers a full range of legal services to business from its offices in Montreal, Ottawa and Quebec City, as well as through Osler, Renalt, Ladner, an international partnership of Osler, Hoskin & Harcourt, Ogilvy Renault and Ladner Downs with offices in Paris, London, Hong Kong and New York.

All of these securities having been sold, this advertisement appears as a matter of record only.

\$421,900,000

Kearny Street Real Estate Company, L.P.

\$250,000,000

Floating Rate Secured Pay-Through Notes, Class A, due 2000

\$91,900,000

6.55% Secured Pay-Through Notes, Class B, due 2000

\$80,000,000

7.70% Secured Pay-Through Notes, Class C, due 2001

Goldman, Sachs & Co.

Morgan Stanley & Co. Incorporated

September 1993

INTERNATIONAL COMPANIES AND FINANCE

Toshiba to merge two loss-making operations

By Emiko Terazono in Tokyo

TOSHIBA, the Japanese electrical group, is merging two members of its *keiretsu*, or industrial operations, amid deteriorating economic conditions and an appreciating yen.

Toshiba Electric and TEC Electronics, a sales affiliate, are to be merged to October next year. Toshiba owns 51.3 per cent of Toshiba Electric, which in turn owns 51.2 per cent of TEC.

The move reflects the increasing pressure on companies that supply Japan's big exporters of consumer durables, notably high-technology groups and the carmakers.

It is a further step by Toshiba to improve profits following a string of recent disposals.

The company sold Toshiba Steel Tube in March, and Onkyo, an unlisted audio visual production subsidiary, in May.

The two companies, both listed on the first section of the Tokyo stock exchange, aim to improve earnings by integrating production and marketing operations. One TEC share will be converted into one Toshiba Electric share.

The enlarged company will have a staff of some 7,300. Both companies posted losses for the year to last March, and yesterday projected heavier loss estimates for the half year to September.

Toshiba said the decision, which puts multi-media operations at the core of its operations, will enable the company to react to the rapid changes in the business environment.

Y5.4bn. TEC, which suffered a pre-tax loss of Y5.4bn last year, is expecting a six-month deficit of Y3.5bn.

The new company is expected to post sales of Y185bn in the year ending March 1995, and Y210bn in the following year.

Toshiba also plans to reorganise its operations into four main business groups. The revamp is the most far-reaching by the company since 1988, when Toshiba's computer and control systems divisions were merged.

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Australian bank plans AS\$118m share issue

By Bruce Jacques in Sydney

BANK of Melbourne, the regional bank, has become the latest Australian company to take advantage of a buoyant share market to top up its capital base.

The bank yesterday announced a AS\$118m (US\$77.1m) issue of convertible preference shares, which will qualify as Tier 1 capital under central bank prudential guidelines.

The shares, with renounceable rights, will be issued on a one-for-12 basis at AS\$13 each. They will qualify for a 6 per cent annual dividend entitlement and a conversion date no later than November, 1995.

The launch follows a previous issue earlier this year from Australian banking rival, Westpac. Mr Christopher Stewart, Bank of Melbourne chief executive, said proceeds of the issue would be used for general purposes.

Turkey moves into line with EC

John Murray Brown on a thorough shake-up of the banking sector

TURKEY's new banking law, which officials describe as the biggest change in the financial landscape since the mid 1980s, entered the statute book last week.

The long-awaited decree accelerates Turkey's economic convergence with the European Community, and underpins the growing internationalism of what is already the country's most up-to-date business sector.

The new law has a number of broad objectives:

- To force banks to strengthen balance sheets through improvements to assets quality and through the provision of extra capital as a cushion against bad debt;
- To help restructure the sector, notably in creating a more formidable buffer between banks and their industrial affiliates;
- To reduce the role of the state by forcing loss-making public banks to run down loan portfolios in order to meet the more stringent capital requirements.

Taken with the plans for the privatisation of state banks, the government reforms represent the most thoroughgoing shake-up of the banking system since the mid 1980s.

The legislation establishes international standards of banking prudence, bringing Turkey into line with the EC's second banking directive on a

number of key issues - legal lending limits, property exposure, and a bank's equity participations.

For the first time, banks will have to publish externally audited accounts, something a number of state banks have not done in the past.

The moves have been well received by the industry. Mr Ibrahim Beril, of Bank Ekspres, is particularly encouraged by the changes to the bankruptcy provisions for banks.

Until now, the government was left to bail out insolvent private banks, which were either merged with or transferred to a state bank.

Under the new law, a bank can choose liquidation. Such a threat, Mr Beril believes, will encourage greater efficiency. It will also make depositors take the overall health of a bank into account.

Turkey has 69 banks, of which 57 are commercial banks. Total assets at the end of 1992 stood at \$87.2bn. The state dominates the sector, with the nine state banks accounting for half of the assets, a ratio which, despite liberalisation and the arrival of new banks, has changed little over the past decade.

The challenge for Turkey is to balance liberalisation with the need for a better regulatory framework.

Considerable strides have been made. Changes in the

debt provisioning rules were introduced in 1988, together with a communiqué on capital adequacy the following year.

Treasury officials concede that the provisioning policy is "not 100 per cent in line with EC practice". Turkish banks also have some way to go to meet the capital adequacy requirements of Bank for International Settlements.

Banks have six years to meet the new capital ratios but the property provisions have to be in place by 1995. The choice for many banks is either to raise new equity or sell property assets.

Dr Ekrem Kesin, senior economist at Turk Ekonomi Bankasi, says there should be little difficulty in accommodating the changes. Many private banks are currently reporting peak profits, although the day when some family-owned banks are forced to float shares on the stock market may not be far off.

The new regulations go some way towards addressing the need for more arm's length dealings between banks and related third parties, such as subsidiary companies, directors and partners. In parallel with these are now additional curbs on the equity investment a bank can make.

Mr Aclan Acar of Garanti believes that from now on, group companies will be

encouraged to be more independent of the group banks.

In the state sector, with profits squeezed and the government unlikely to pump more funds into the sector, most state banks will be forced to run down investment holdings.

On a modest scale, this is already happening. The state-owned Development Bank TEB is selling its participations in rural industries. Vakifler Bankasi is following a similar course. But bank analysts say for the bigger state banks like Halk, Emisak and Ziraat, the capital targets are a considerable challenge.

Isbank, the largest commercial bank, is 40 per cent state-owned and has been more successful in divesting shares. But Mr Unal Korukcu, general manager, points out that even here, the nominal share portfolio has actually increased as non-performing loans have been converted to equity.

Mr Korukcu also suggests that with fewer good borrowers at current high real interest rates, the high level of liquidity of many banks is hampering efforts at meeting capital standards.

Yet whatever the difficulties, the way ahead seems unambiguous. The state is in retreat. As the state banks put their houses in order, they will also be preparing for their eventual privatisation. This is the central pillar of the government's reform programme.

Hongkong Land ahead by 9%

By Simon Davies in Hong Kong

HONGKONG Land, the Jardine Matheson group's property investment arm, yesterday reported net profit before extraordinary items of US\$165.9m for the six months ended June 1993, representing a 9 per cent increase over the 1992 figure.

The interim dividend is being increased to 3.15 US cents from 3 cents last time.

The company also booked a US\$213.2m extraordinary profit from the US\$490m sale of its Number Nine Queens Road commercial development. The deal was announced in May 1992, but was only completed in June 1993.

Hongkong Land remains the colony's largest commercial landlord, and with average leases of three years on its property portfolio, it is still feeling the effect of a sharp downturn in office rentals in 1989 and 1990. However, commercial property prices have appreciated substantially in the past 12 months, and the longer-term outlook is more positive.

Mr Simon Keswick, chairman, said: "While property



shareholding in UK-listed Trafalgar House.

- Jardine International Motor Holdings (JIMH), the motor trading arm of Hong Kong's Jardine Matheson group, yesterday announced a 21 per cent rise in first-half net profit to US\$35.8m, up from US\$29.7m a year earlier.
- Profits growth was struck on marginally higher turnover of US\$462.4m. The Hong Kong operations, which hold the exclusive right to sell Mercedes-Benz cars, registered lower earnings, but a stronger second half is expected.

There was a surge in sales of Mercedes into southern China in the first half of the year, through associate company Southern Star, which contributed US\$6m, up from US\$2.1m in 1992.

"Sales in the first half remained at last year's high level and the company continues to expand its distribution network. Performance in the second half could be affected by the austerity measures recently introduced in China," the company said.

An interim dividend of 1.2 US cents a share is recommended, up from 1.06 cents a year ago.

earnings for the full year are expected to remain flat, in part due to the loss of rental income from Nine Queens Road Central in the second half, the medium-term outlook is for renewed growth as reversion comes through to profits.

The company has diversified from its exclusive role as core Central landlord, by taking the largest single stake in a consortium to build Container Terminal 9. However, the project continues to face political opposition from China. It has also purchased a 23.3 per cent

shareholding in UK-listed Trafalgar House.

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NEWS DIGEST

Auditors to settle NZ case

PARTNERS in Ernst and Young, the international auditors, have agreed to pay NZ\$37.5m (US\$20.7m) to settle a long standing case brought by investors in Registered Securities which went bankrupt in 1988, writes Terry Hall in Wellington.

The settlement means that more than 6,000 investors will receive an extra 30 cents in the dollar payment. This will give them around 30 cents for each dollar they had invested.

Registered Securities went

out of business owing NZ\$97.8m. The auditors reported in April 1988, only three months before the collapse, that the company's accounts had been properly maintained and were in order.

A case against the auditing firm was due to begin next week, seeking NZ\$140m in damages. Mr Richard Waddell, spokesman for Ernst and Young, said his firm did not accept liability.

Scandinavia start-up

MR Spencer Matze, formerly chairman and chief executive of Euskadi Securities, has formed an independent corporate finance firm specialising

in the Scandinavian market, writes Norma Cohen.

The new firm is to be called Matze, Westberg. Mr Sten Westberg, a former Swedish finance minister, is a partner of the firm and will head its Stockholm office.

Mr Matze said he believed there would be considerable demand for the services of an independent corporate finance firm in Scandinavia where rules allowing considerable foreign investment for the first time are just taking effect.

BIL's Cedenco move

BRIERLEY Investments will take a 25 per cent stake in the initial public offering by Ced-

enco Foods, the New Zealand foods group. AP-DJ reports from Wellington. Announcing the share offer, Cedenco said it plans to raise NZ\$25.3m (US\$13.9m).

Funds raised will be used primarily to finance an expansion programme, said the company.

Singapore trade plan

STOCK Exchange of Singapore plans to extend trading by one hour from today, Renter reports from Singapore. It will start trading half an hour earlier for both the morning and afternoon sessions. The latest revision follows a similar extension a year ago.



REMINDER:

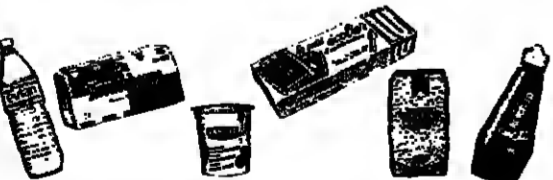
BSN 1988 REDEEMABLE EQUITY WARRANTS TO BE EXERCISED BY SEPTEMBER 30, 1993

BSN reminds holders of BSN equity warrants that they have until September 30 to acquire new BSN shares by exercising these warrants.

Each warrant entitles its holder to subscribe 1.1 BSN share bearing dividends as of January 1, 1993, in exchange for a cash payment of FF500. BSN shares closed at FF911 on September 14, 1993.

From October 1, 1993 through December 31, 1993, holders of unexercised warrants may request that these be redeemed at a unit price of FF140. After December 31, 1993, outstanding warrants become worthless and will be cancelled.

For further details and to exercise warrants, please contact your bank or broker before September 30.



CANADIAN TURBO INC., FORMERLY TURBO RESOURCES LIMITED U.S. \$5,250,000 8% SERIES III DEBENTURES NOTICE OF REDEMPTION

NOTICE IS HEREBY GIVEN that under the terms of the Amended and Restated Trust Indenture between Canadian Turbo Inc., formerly Turbo Resources Limited (the "Company") and Montreal Trust Company of Canada, as trustee, (the "Trustee") dated as of January 1, 1985 and restated as of October 7, 1988 and further restated as of April 30, 1992, the Company intends to redeem or cause to be redeemed on October 21, 1993 (the "redemption date") all of the 8% Series III Debentures (the "Debentures") which will be outstanding on the redemption date at a price equal to the principal amount together with interest accrued and payable to the redemption date (the "redemption price"), such amount totalling U.S. \$266.11 per U.S. \$250 principal amount held. Interest accrued to and payable on the redemption date will be paid upon presentation of the Debentures together with all coupons appertaining thereto maturing after January 1, 1993.

Payment of the redemption price will be made upon presentation and surrender of the Debentures and all unexpired coupons pertaining thereto at the specified office of any of the following paying agents:

Royal Bank of Canada Europe Limited
71 Queen Victoria Street
London, England EC4V 4DE

Banque Générale de Luxembourg S.A.
27 Avenue Montebello
L-2951 Luxembourg

Royal Bank of Canada (Suisse)
Rue Diderot 6
CH-1204 Geneva, Switzerland

The amount of any missing unexpired coupons will be deducted from the redemption price. Interest upon the principal amount of the Debentures shall cease to be payable from and after the redemption date.

Dated at Calgary, Alberta, Canada this 15th day of September, 1993.

Canadian Turbo Inc.

£135,000,000



Leeds Permanent Building Society Floating Rate Notes Due 1998

Interest Rate 6.125% per annum
Interest Period 16th September 1993
16th December 1993

Interest Amount due 10th December 1993 per £10,000 Note £152.71

CS FIRST BOSTON Agent

MIDLAND INTERNATIONAL FINANCIAL SERVICES S.V.
FRF 900,000,000 GUARANTEED FLOATING RATE NOTES DUE 1997

For the period September 20, 1993 to December 20, 1993 the new rate has been fixed at 7.75% p.a.

Next payment date: December 20, 1993
Coupon nr. 27 Amount: FRF 196,51 for the denomination of FRF 10,000
FRF 196,51 for the denomination of FRF 10,000

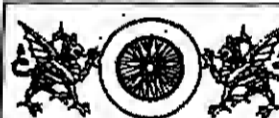
THE PRINCIPAL PAYING AGENT SOCIÉTÉ GÉNÉRALE GROUP 15, Avenue de la Liberté LUXEMBOURG

YEN 15,000,000,000 AKTIEBOLAGET SPINAT (SWEDMORTGAGE) Subordinated Floating/Variable Rate Notes due 2002

Interest Rate 3.4875% p.a.
Interest Period September 20, 1993 to December 20, 1993

Interest Amount due on December 20, 1993 per Yen 100,000,000 Yen 881,563

Agent Bank



Cardiff Automobile Receivables Securitisation (UK) plc £328 million Floating Rate Notes Due 1995

In accordance with the provisions of the Notes, notice is hereby given that on the next interest payment date, being 29th September, 1993 the available Redemption Funds have been determined to be £43,455,848.59, and therefore Notes of a principal value of £43,400,000 will be redeemed at par in accordance with the procedures of Euroclear and Cedeil. Following redemption of the aforesaid Notes the principal value of the remaining Notes outstanding will be £112,550,000.

West Merchant Bank Limited Agent Bank

US\$ 70,000,000 YCM INVESTMENTS N.V. Guaranteed Secured Floating Rate Notes due 2001

Interest Rate 3.625% p.a.
Interest Period September 20, 1993 to March 21, 1994

Interest Amount due on March 21, 1994 per US\$ 100,000 US\$ 1,832.64

Agent Bank

Prices for electricity generated for the purposes of the electricity supply and other services in England and Wales, published by the Electricity Supply Board on 21/09/93			
1/2 hour period	purchase	purchase	selling
on 21/09/93	on 21/09/93	on 21/09/93	on 21/09/93
0000	18.05	18.44	18.44
0100	18.05	18.11	18.11
0200	18.05	18.11	18.11
0300	18.05	18.11	18.11
0400	18.05	18.11	18.11
0500	18.05	18.11	18.11
0600	18.05	18.11	18.11
0700	18.05	18.11	18.11
0800	18.05	18.11	18.11
0900	18.05	18.11	18.11
1000	18.05	18.11	18.11
1100	18.05	18.11	18.11
1200	18.05	18.11	18.11
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1800	18.05	18.11	18.11
1900	18.05	18.11	18.11
2000	18.05	18.11	18.11
2100	18.05	18.11	18.11
2200	18.05	18.11	18.11
2300	18.05	18.11	18.11
2400	18.05	18.11	18.11

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The Financial Times plans to publish a Survey on

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against a backdrop of next year's Presidential elections, and with the North American Free Trade Agreement still hanging in the balance.

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KNOW A SECRET?



Housing side feels effects of limited recovery, reports Paul Taylor

Bryant falls slightly to £18m

BRYANT GROUP, the West Midlands-based housebuilding, property and construction company, yesterday reported a small decline in full-year pre-tax profits reflecting higher interest costs and the losses of associated companies.

Pre-tax profits in the 12 months to May 31 fell to £18.3m (£20.3m) on turnover which slipped by 4 per cent to £309.7m (£322.5m).

Profits were held back by a £1.6m loss (£400,000 profit) by associated undertakings after property provisions of nearly £2m. Interest costs increased to £2.7m (£1.5m) reflecting the then high interest rates associated with the group's £13.5m of borrowings in Ireland.

Earnings per share fell to 4.3p (5.9p), just sufficient to cover the unchanged total dividend of 4.2p per share including a final payment of 3.4p.

Mr Colin Hope, chairman, said the group had faced difficult trading conditions during most of the financial year and that all divisions had experienced pressure on prices.

He said: "The limited recovery in the economy has had a positive impact on the group's housing operations, but so far has not significantly benefited our construction or property



Andrew MacKenzie: signs of pressure on land prices in the south

activities." Turnover, but not operating margins, increased by more than 20 per cent in the second half, he added.

Operating profits rose to £22.6m (£21.4m) and margins, helped by an improved contribution from the construction division, widened from 6.6 per cent to 7.3 per cent.

The core housebuilding operations, which are being expanded, lifted operating profits to £17.4m (£15.6m) on

increased turnover of £224.3m (£196.6m).

House completions rose by 21 per cent to a record 2,815 at a reduced average price of £83,000 (£86,000), but Mr Andrew MacKenzie, chief executive, said prices "bottomed out" in the spring.

At the year end, Bryant and associates had a land bank of just under 10,000 plots. Last year, the group spent £70m on land purchases and it plans to

spend more this year, but Mr MacKenzie warned that there were already signs of "some pressure" on land prices, particularly in the south.

Meanwhile the construction division reported sharply lower turnover of £55.4m (£100.5m) reflecting a determination to avoid negative margin tendering. However, profits rose to £5.9m (£4.6m) and the forward orders stand at £60m (£40m).

COMMENT

Bryant builds quality houses, and volumes should continue to rise as the recovery takes hold. Of more concern, however, are the reports of land price pressures. These could limit margin gains as Bryant attempts to broaden its regional housebuilding activities and expand its relatively short land bank outside the Midlands.

Nevertheless Bryant has an unguaranteed balance sheet and is a well-managed group heading in the right direction. Pre-tax profits should reach £29m this year producing earnings of 7.3p and a prospective p/e just above 20. But the stock looks much less expensive against projected pre-tax profits of about £47m and earnings of 11.4p in 1995.

Two Aitken Hume directors under threat

By Andrew Jack

TWO DIRECTORS of Aitken Hume International, the banking group, may face removal from the board following criticism over the weekend by Hong Kong regulators of Allied Group, one of its largest shareholders.

Mr Lee Ming Tee, Allied's chairman and a major shareholder, and Mr Brian O'Connor, a director, will face scrutiny following a critical report into the operations of Allied.

Mr Bill Brown, a director of Aitken Hume and non-executive chairman of Allied Hume Bank, a subsidiary, said yesterday: "As a member of the board I am interested to see the affairs of the company are conducted in a fit and proper manner. If they are ensured it is a matter of great concern to us."

Mr Lee and Mr O'Connor are mentioned in a report from an inspector appointed to examine Allied's affairs by the Financial Secretary of Hong Kong published on Saturday. Allied was also raided by 300 police last week.

Both men sit on the board of Aitken Hume, reflecting Allied's substantial stake, which is reported in the Aitken accounts for the 12 months to March 31 last year as 30.3 per cent. The shares are held through Menston Investments, a subsidiary. The Bank of England refused to comment yesterday. But it has regulatory powers to debar directors of banks on grounds including competence, integrity and skills as well as criminality.

Mr Brown said that there were no financial links between Aitken Hume and Allied, and that Aitken Hume had not had any contact with the investigations in Hong Kong.

Mr Lee is a Malaysian-born Chinese entrepreneur who owns a string of companies through the Allied Group.

Mr O'Connor is mentioned in the Hong Kong report as chairman of Crestcare, which had a share placing in 1992 underwritten by Asia Securities, owned by Allied.

Smiths wins contract for F-22 power controllers

By Daniel Green

SMITHS INDUSTRIES has won a contract to develop the power controllers on the F-22, the next generation fighter aircraft for the US Air Force.

The deal, understood to be worth about \$10m, could lead to a production contract worth \$150m, several times that amount.

It is the latest in a series of avionics development contracts that could bring in more than £50m a year by the end of the decade if they result in production deals, said Mr Norman Barber, chairman of Smiths' aerospace division, yesterday.

The shares rose 5p to 368p. The company beat two US rivals to the contract, Rockwell International, and Sunstrand of Illinois.

The contract follows deals to design similar controllers for

the McDonnell-Douglas Apache attack helicopter, Boeing's new 777 airliner and the European Fighter Aircraft, being developed by a consortium of European aerospace companies.

The first two could move into production in the next year or two.

The programme for the Boeing 777 has been particularly successful. A controller, originally designed to run four subsystems, will be installed to run 54. Each 777 will contain Smiths' equipment worth more than \$400,000.

Mr Barber said that the F-22 contract was unlikely to lead to new jobs but would help preserve existing skills.

The \$87m F-22 fighter programme is a survivor of the Clinton administration's defence review last month. The aircraft is designed to replace the F-15 and is two-thirds owned by Lockheed with Bo-

eing holding the remainder.

The equipment for the F-22 is a computerised controller for various mechanical, hydraulic and electronic systems on the aircraft. It will be worth about \$250m an aircraft, but this could rise if its size is increased as with the 777 version.

Lockheed plans to produce more than 600 F-22s.

Mr Barber said: "With this bridgehead into the F-22, we can bid for other power management systems."

The power distribution centres are the first use in tactical fighters of 270-volt direct current distribution through programmable switching technology.

The contract is the first Smiths will meet through its US operations based in New Jersey and Florida. Previous contracts have been met out of UK sites.

Geevor revival plan gets boost after rights oversubscribed

By David Lascelles, Resources Editor

THE PLAN to revive Geevor, the tin mining company, as a coal mining concern received a boost yesterday when a £1.75m rights issue was 50 per cent oversubscribed. The new company is being led by Mr Malcolm Edwards, the former commercial director of British Coal, to run pits no longer wanted by the state-owned company.

The placing and rights issue, underwritten by Guinness Mahon, paves the way for a reconstruction of Geevor and a settlement with its creditors who will convert debt into shares.

The new group will include UK Consolidated Mining, which owns a lease on Cwmwili, an anthracite mine in South Wales. The company is being acquired through an issue of £2m of shares. Mr Edwards will also reverse his own company, Coal Investments, into Geevor, and take over as group executive chairman. Coal Investments has the

tender rights for five British Coal mines.

Geevor, whose shares have been suspended for 18 months, will now regain its listing and be renamed Coal Investments plc. Details are to be approved at an EGM around October 20.

The proceeds of the rights issue will be used mainly to redevelop Cwmwili. If Coal Investments succeeds in its bid

for British Coal pits it will probably return to the shareholders for more money. Mr Edwards said yesterday. British Coal is expected to announce the results of the tender in the coming weeks.

Mr Edwards said he was confident that it would be possible to create a successful coal business in the UK despite the recent upheavals.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Acadia Property	0.71	Nov 4	0.65	-	2.1
Bankers Inv Int	0.52	Nov 30	0.86	-	3.44
Barracuda	4.31	Nov 13	4.3	-	11.75
Bentley	3.4	Dec 3	3.4	4.8	4.8
Canning (W)	2.94	Dec 1	2.94	-	7.29
Chase Bros	7.8	Oct 29	6.5	11	9.5
Community Hosp	4.5	Nov 30	4.1	6.9	6.5
Dixie Food	0.5	Dec 31	0.35	-	0.95
Edinburgh Fund	6	Nov 5	5	-	13.5
Essex	0.15	Nov 18	0.15	-	0.3
Essex	32	Nov 19	25	-	55
MAI	4.9	Nov 18	4.6	6.9	6
Morgant	1.3	Dec 10	1.25	-	3.78
Morgan Crucible	5.75	Jan 6	5.75	-	12.6
Refuge	10.35	Dec 3	9.6	-	31.5
Trafford Park	1.95	Nov 12	1.725	2.8	2.575

Dividends shown per share net except where otherwise stated. * 10c increased capital. \$USM stock. * Third interim.

Albert Fisher to spin off Charles Sidney through flotation next month

By Paul Taylor

ALBERT FISHER, the food processing and distribution group, is to spin off Charles Sidney, its Yorkshire-based Mercedes-Benz commercial vehicle and passenger car dealer, through a full stock market flotation next month.

The move is the latest step taken by Mr Stephen Walls, Albert Fisher's new chairman, to refocus the group on its core activities - the processing and distribution of fruit, vegetables and seafood.

It also represents an opportunity to launch a new publicly quoted vehicle group since the luxury car market is now showing signs of recovery, and the motor dealers' share prices have been buoyant over

the past year. Charles Sidney was one of the first post-war dealerships established in Britain by Mercedes-Benz in 1953. Since then the group has become one of the largest distributors of Mercedes-Benz vehicles in Britain and had estimated sales in the year to August 31 of about £55m (£41m).

The group holds the Mercedes-Benz franchises in Bradford and South Yorkshire (Sheffield and Doncaster). It operates Mercedes-Benz commercial vehicle dealerships in Bradford and Sheffield - trading under the name Northside Trucks - passenger car dealerships in Bradford and Doncaster, together with after sales servicing, parts and repair facilities. Northside Trucks also

includes a rentals division with a fleet of 400 commercial vehicles.

In 1992, 40 per cent of turnover came from new and used commercial vehicle sales, 40 per cent from new and used car sales and 20 per cent from servicing, spare parts and commercial vehicle body building. Vehicle sales in the latest year were split evenly between com-

mercial vehicles and passenger cars.

Mr Raymond Edwards, Albert Fisher's director responsible for the European food processing division including Charles Sidney, will leave the group to become Charles Sidney's executive chairman.

Mr Edwards joined Albert Fisher when it acquired Northside Trucks in 1983.

ICI sells Victrex to management

Imperial Chemical Industries has agreed in principle to sell its Victrex polyetheretherketone (peek) business, based at Hillhouse, Lancashire, to a management buy-out backed by a consortium of financial institutions led by CVC Capital Partners.

Victrex is involved in high temperature, high performance plastics sold into the automotive, aerospace, industrial and electronics industries. The value of this transaction represents less than one per cent of ICI's net assets.

This announcement appears as a matter of record only.

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Consolidated Results, 1st half 1993

The consolidated financial results for the first half-year were sharply down on last year and this was principally due to the depressed level of economic activity in Europe. With the exception of the United Kingdom, the motor vehicle industry in each country was particularly affected and compared with the first six months of last year, vehicle production in the first six months of 1993 fell by 16% for passenger cars and by 27% for commercial vehicles.

In Europe, MICHELIN tyre deliveries to original equipment customers generally followed the trend in vehicle output. After a very sharp drop in the first quarter, replacement market sales showed some recovery in the second.

In North America, the sales recovery which began in 1992 continued in tyre sales to original equipment during the first half-year. Replacement market sales remained flat, however, and trading conditions were extremely competitive.

Group total sales volume reduced by 7.5% in the period.

As a consequence, there was a loss of FF817 million for the first half of 1993, before charging extraordinary provisions of FF 2,638 million. The provisions are to cover the total expenditure to be incurred by Group companies in implementing the Plan for cost reductions amounting to FF 3.5 billion, announced last April. Including the extraordinary charge, the total loss was FF 3,455 million.

FINANCIAL RESULTS

Sales turnover for the first half 1993 was FF 30.62 billion. After eliminating the effect of foreign exchange variations this represented a fall of 7.9%, close to the 7.5% drop in sales volume over the same period.

Trading costs were lower by 7%. The most significant change in these was in personnel expenses, which represent more than 40% of the total and which, at constant exchange rates, were 3% down in the first six months of this year in comparison with the same period last year.

Net financial debt at 30th June, 1993, calculated at constant exchange rates, was virtually unchanged from the position one year earlier. Eliminating extraordinary charges and the effect

of exchange fluctuations, net financial charges were reduced by 8% compared with first half 1992, aided by lower interest rates. This factor should have a greater influence in the second part of the year.

Net capital investment in tangible and intangible assets was FF 1,444 million and was almost fully covered by funds generated from operations, at FF 1,090 million for the first half.

FIRST HALF 1993 CONSOLIDATED RESULTS, MAIN ITEMS.

FF millions	Jan-June 1993	Jan-June 1992
Net sales	30,617	34,804
Trading profit	793	2,728
Net financial charges	(1,459)	(1,378)
Ordinary profit (loss)	(666)	1,350
Extraordinary profit (loss)	(2,551)	133
Depreciation of goodwill	(61)	(194)
Tax on profit	(187)	(579)
Equity method consolidation	10	21
Profit (loss)	(3,455)	731
of which: Group	(3,187)	820
Minority interests	(268)	(89)
Profit (loss) before extraordinary provisions	(817)	731

RECENT TRENDS AND 1993 OUTLOOK

It is as yet too early to speak of a recovery in European tyre markets although the trend in replacement sales during the summer confirmed the improvement noted towards the end of the second quarter. Second half prospects look to be more favourable.

The contribution made by productivity gains that were achieved in 1991 and 1992 proved insufficient to combat the effect of the collapse of the European tyre market. For this reason, MICHELIN announced last April, fresh actions designed to accelerate cost reductions, to give a further FF 3.5 billion in two years. The principal measures to be taken to reduce employee numbers have been made known in Europe and in North America and their total cost, assessed at FF 2.6 billion, has been provisioned in the accounts for the first half-year.

COMPANY NEWS: UK

Winterflood makes significant contribution

42% expansion puts Close Bros on £18m

By John Gapper
Banking Editor

CLOSE BROTHERS, the merchant bank, recorded a 42 per cent rise in pre-tax profits to £17.8m, against £12.6m, following its acquisition of Winterflood Securities, which makes markets in the shares of small and medium-sized companies.

Its share price moved up 17p to 430p yesterday.

The acquisition was the largest contributor to a 38 per cent rise in assets to £575m (£417m). But the bank said that other operations had grown, including a 16 per cent rise in asset finance receivables.

The final dividend is 7.8p

(6.5p), making a total of 11p (9.5p). Earnings per share rose by 22 per cent to 27.5p (22.5p).

Mr Rod Kent, managing director, said the purchase of Winterflood, largely financed by a £17.3m vendor placing of 5.5m shares, had been successful because there had been strong demand for market-making in small companies.

He said that Winterflood, which contributed £4.2m to profits, had performed "jolly well". However, the bank had also benefited from the uniformly good performance of its other operations including investment management.

Profitability of the commercial lending division had been rebuilt through both margin

and fee income, while treasury deposits had also risen. Development capital had been aided by recent rises in valuations.

Century, the bank's debt factoring business, was said to have had a "satisfactory" year and its consumer finance arm had done well.

The bank's buildings in the City were severely damaged in the Bishopsgate bombing last April. It said this had caused "no measurable financial loss" but had "made life frustrating for City staff".

Mr Kent said the company remained committed to growth both organically and through acquisition. "We are permanently acquisitive, and we always have been," he said.

Higher interest leaves Meggitt down at £10.8m

By David Blackwell

A SHARP rise in interest payments has hit pre-tax profits for the first half at Meggitt, the Dorset-based engineering company.

Interest payable rose from £17,000 to £1.27m following the company's decision to adopt the proposals in FRED 3 and treat its Euro convertible preference shares as debt rather than equity. This left pre-tax profits at £10.8m, down from a previous £11.7m.

However, operating profits edged ahead from £11.45m to £11.81m. Turnover rose from £182.8m to £176.3m.

Mr Ken Coates, executive chairman, said that the group had experienced an excellent first quarter, but the second quarter had slowed down. The recession continued to affect margins in all areas, but acquisitions made last year helped the group to raise its market penetration.

The electronics division, which was the first to be hit by the recession, had seen 11 months of steady but gentle improvement. He did not believe it was clutching at straws to hope for further

gains in the sector.

While the group had hucked the trend in the aerospace sector, it was improving its performance through increasing market penetration, not because there was more business around.

The energy division had had a tough time, with new business failing to materialise as quickly as expected. In addition a difficult contract in South America and restructuring costs had cost £1m.

The controls division was doing similar business to last year.

Mr Coates said that by a quick second half would see the maturity of several contracts, which should lead to an improved performance.

Earnings per share fell to 3.3p (3.7p). The interim dividend is 1.3p (1.25p). In April, the 17.2 per cent stake of Meggitt held by BTR, the industrial holding company, was placed with investment institutions. Mr Coates said the group welcomed the change to a wider shareholder base.

On July 8, £14.06m of the £17m Euro Convertible Preference Shares were redeemed at the shareholders' request.

Acquisitions boost Bemrose

By Paul Taylor

BEMROSE Corporation, the Derby-based security and promotional printer, reported a 38 per cent increase in interim pre-tax profits - yesterday boosted by its recent acquisitions in both the UK and US.

The group, which used the proceeds of a rights issue in March to fund the acquisition of the outstanding 50 per cent of its US joint venture company and the purchase of Barnard and Jackson, UK-based diary publishers, reported pre-tax profits of £2.55m in the 6 months to July 3, up from £1.85m in the year ago period.

Turnover, including £10.3m attributed to acquisitions, increased to £36.6m (£22.7m) while operating profits, including £10.0m from acquisitions, grew to £2.97m (£1.96m). The group's share of profits from Bemrose Yatendon, the US joint venture before its full acquisition in April, added a further £163,000 to profits, compared with £380,000 for the full six months in 1992.

Interest costs increased to £581,000 (£491,000).

Earnings per share rose to 7.86p (6.52p) out of which the group is paying an unchanged interim dividend of 4.5p.

Commenting on the results Mr Roger Booth, chief executive, said: "The encouraging performance for the first period is continuing into the second half of the year."

The group's core business of security printing at Derby continued to trade well in a difficult market. Although volumes and revenues from bank cheques are down, costs have been reduced and sales of other security products have been increased.

Barnard and Jackson, the new UK purchase, "broadly broke even" although profits from diary sales are predominantly earned in the second half. In the US the expanded group, now the largest supplier to the advertising specialty market, is achieving substantial real growth.



Tony Anderson

Lord Hollick, the youthful-looking head of media and financial services group M&I, is wryly amused when reminded about the chequered past of the independent television franchise which his 61 per cent owned Meridian group has recently begun to serve.

"It has been the Bermuda triangle of independent television," he laughs. He is adamant, however, that Meridian - which paid £36m for the south of England licence - will not disappear. It is developing a strong regional emphasis within the franchise, encouraging local advertising and programmes, which the Labour peer believes will offset any decline in independent television advertising.

"We are selling some slots three times over", he says.

Two Signet directors get share options at 32.5p

By David Blackwell

SIGNET GROUP, the jewellery retailing group formerly known as Ratners, yesterday granted two of its directors options on 2.45m shares in the company at 32.5p.

Mr James McAdam, executive chairman, has been granted 1.48m options, while Mr Lawrence Cooklin, chief executive of the UK jewellery operations, has been granted 970,000.

The options can be taken up in three to 10 years, only under certain conditions. The group, which earlier this month reported a pre-tax loss of £26.9m for the first half, must have returned to profitability.

In addition the share price, which yesterday closed at 30.75p, must have averaged 60p for a minimum period of three months. At no time during the three months must the price drop below 50p.

If the options were to be exercised at 60p, Mr McAdam, who joined the group in June last year, would make a profit of £465,000. Mr Cooklin, who joined in May this year, would get £267,000.

Signet, which had 293m shares in issue at the end of January, undertook to grant no further options to existing shareholders for 12 months.

Analysts said yesterday that a dilution of 1 per cent would upset nobody. "If they can lift the share price to 60p they deserve every penny they get," said one.

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N Atlantic trust reforms capital

By Philip Coggan,
Personal Finance Editor

NORTH ATLANTIC Smaller Companies Investment Trust is reconstructing its capital in an attempt to cut the discount to assets at which the trust's shares have been trading.

Shareholders will be offered four new ordinary shares and six new units of convertible loan stock (all with a par value of 5p) for every five existing ordinary shares of 10p.

The idea behind the scheme

is that the trust will be able to purchase the convertible loan stock whenever it stands at a discount to asset value. These purchases will not only put a "floor" on the discount but will enhance the net asset value of the ordinary shares. Discount on the shares has ranged from 32 per cent in September 1992 to below 17 per cent this month. In January management of the trust moved from Invesco MIM to J O Hambro.

Interim results for the six months to July 31 were also

announced. The net asset value per share rose by 16 per cent, from 412p to 479.8p, despite the exercise of warrants which reduced the value by nearly 2 per cent.

Quoted portfolio benefited from the performance of Danka Business Systems and the unquoted from the flotation of Mississippi Valley Bank and the sale of Tracker Network.

After tax there was a net loss of £203,000 (£8,000) or 1.88p (0.075p) per share. The shares rose 6p to 411p yesterday.

Spring Ram brokers replaced

By David Blackwell

SPRING RAM, the bathroom and kitchen group, has appointed Barclays de Zoete Wedd as its brokers, replacing Pamure Gordon.

Tomorrow, when the interim results are announced, Price Waterhouse is expected to take over the audit from Arthur Andersen. Price Waterhouse will also be presenting the full financial review of Spring Ram arranged by Mr Roger Regan, the new chairman.

In addition Mr Regan will give an operational review of the group. Some unofficial market estimates put the first-half loss as high as £40m.

Tomorrow's results are also expected to spark the departure of Mr Bill Rooney, one of the group's founders and its biggest shareholder with a 16 per cent stake. Mr Rooney lost his job as executive chairman to Mr Regan, who was approached by Investment Institutions after Spring Ram issued three profit warnings in eight months.

First Mortgage Secs

First Mortgage Securities, London-based centralised lender, has completed the first management buy-out in the UK mortgage business.

The deal, which values FMS at £13.7m, was financed by Foreign & Colonial Ventures. F&C has increased its holding in FMS to 65 per cent.

Interest cut helps Asda Property

A SUBSTANTIAL cut in interest charges from £6.24m to £2.88m helped Asda Property Holdings to raise pre-tax profits by 61 per cent to £2.47m in the first half of 1993, against £1.53m last time.

Earnings per share more than doubled to 2.6p (1.1p), while the interim dividend has been stepped up from 0.65p to 0.7p on capital increased by July's £16.3m rights issue.

Mr Manny Davidson, chairman, said that acquisitions of high-yielding commercial property over the last two years had to date only partially utilised the proceeds from the sale of residential and other low-yielding assets.

Turnover fell from £19.2m to £11.2m; rental income came to £5.82m (£7.12m) and should improve in the second half as the full contribution from the recent acquisition to the company's investment portfolio began to flow

through, Mr Davidson said.

The company said it has bought 30 predominantly freehold, retail properties for £7.8m, the shops being located in various town centres including Aberdeen, Bournemouth, Newcastle, Salisbury and Shrewsbury. The portfolio currently produces an income of about £1m per annum.

Sentry Farming interim losses grow

Sentry Farming Group reported pre-tax losses up from £286,000 to £309,000 in its seasonally unfavourable first half to June 30.

The company pointed out, however, that interim losses were not indicative of the full year result.

Sentry said that indications from crops harvested were that yields were larger than anticipated and that average prices should be greater than expected, as a result of some forward sales earlier in the year, when prices were higher than at present.

In addition, exchange gains relating to arable aid payments will result in payments being received in the second half, significantly in excess of those provided for in Sentry's 1993 business plans.

Turnover of the USM-quoted company grew from £1.86m to £2.29m. Losses per share were 7.86p (7.14p).

Noble in Lloyd's of London move

Noble & Co, the Edinburgh-based issuing house, is sponsoring a new investment trust to raise up to £30m to support syndicates at the Lloyd's of London insurance market.

Good tourist season boost for Jenners

The benefits of an early and buoyant tourist season, with an added improvement in home market share enabled Jenners Princes Street, the Edinburgh department store, to more than double pre-tax profits from £437,000 to £928,000 in the half year to July 31.

Jenners said the second half had started satisfactorily and a good autumn was expected but with "our usual caution at this important time."

Midlands Electricity in Portugal

Midlands Electricity is paying £5m for a minority interest in the Enersis group, which owns and operates four mini hydro generating stations in Portugal with an installed capacity of some 30MW in Portugal.

The acquisition is part of a proposed investment in a range of Portuguese hydro electric assets.

Profit rise at Trafford Park

Pre-tax profits at Trafford Park Estates rose from £3.27m to £4.12m, in the year ended June 30 1993.

Turnover however, fell from £11.7m to £10.2m mainly through the absence of property sales.

NEWS DIGEST

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SGA SOCIETE GENERALE
ACCEPTANCE N.V.
FRF 300,000,000
FLOATING RATE
NOTES DUE
DECEMBER, 1995
Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate of interest applicable to the period from June 18, 1993 (inclusive) to September 20, 1993 (exclusive) was 6.8094 %. This rate of interest has been determined according to the formula provided for in Condition 4, interest 3 month LIBOR + 3 month PIBOR. Therefore, the interest payable on September 20, 1993 against surrender of coupon nr 3 was FRF 1,725.79 per Note in the denomination of FRF 100,000. FRF 17,257.88 per Note in the denomination of FRF 1,000,000.
THE PRINCIPAL PAYING AGENT
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FINANCIAL TIMES
300493

A successful year:
Growth in new loan business.
Continuing strong earnings.
Extended capital basis.



1992 at a glance (in DM m.):

New loans	4,077.8
Loan portfolio	29,471.0
Sales of Pfandbriefe and other borrowings	5,591.2
Outstanding Pfandbriefe and other borrowings	29,484.7
Capital and reserves	936.8
Balance sheet total	32,740.9
Operating profit	214.0
Net income for the year	82.3
Dividend per DM 50 share	DM 15.-

As the oldest private mortgage bank in Germany, founded in 1862, the Frankfurter Hypo belongs to the leading German institutes specialized in financing real estate and public-sector projects. By selling Pfandbriefe, the bank acquires the means for these loans. Pfandbriefe of the Frankfurter Hypo are rated "AAA" by Standard & Poor's.

Write to us for a copy of our 1992 Annual Report.

Frankfurter Hypothekbank AG
Junghofstrasse 5-7
D-60311 Frankfurt am Main
Federal Republic of Germany



LONDON SHARE SERVICE

AMERICANS

[illegible]

BUSINESS SERVICES

High	1970	100	100	100	1.0	1.0
Low	1971	100	100	100	1.0	1.0
Mid	1972	100	100	100	1.0	1.0
Yr	1973	100	100	100	1.0	1.0
Yr	1974	100	100	100	1.0	1.0
Yr	1975	100	100	100	1.0	1.0
Yr	1976	100	100	100	1.0	1.0
Yr	1977	100	100	100	1.0	1.0
Yr	1978	100	100	100	1.0	1.0
Yr	1979	100	100	100	1.0	1.0
Yr	1980	100	100	100	1.0	1.0
Yr	1981	100	100	100	1.0	1.0
Yr	1982	100	100	100	1.0	1.0
Yr	1983	100	100	100	1.0	1.0
Yr	1984	100	100	100	1.0	1.0
Yr	1985	100	100	100	1.0	1.0
Yr	1986	100	100	100	1.0	1.0
Yr	1987	100	100	100	1.0	1.0
Yr	1988	100	100	100	1.0	1.0
Yr	1989	100	100	100	1.0	1.0
Yr	1990	100	100	100	1.0	1.0
Yr	1991	100	100	100	1.0	1.0
Yr	1992	100	100	100	1.0	1.0
Yr	1993	100	100	100	1.0	1.0
Yr	1994	100	100	100	1.0	1.0
Yr	1995	100	100	100	1.0	1.0
Yr	1996	100	100	100	1.0	1.0
Yr	1997	100	100	100	1.0	1.0
Yr	1998	100	100	100	1.0	1.0
Yr	1999	100	100	100	1.0	1.0
Yr	2000	100	100	100	1.0	1.0
Yr	2001	100	100	100	1.0	1.0
Yr	2002	100	100	100	1.0	1.0
Yr	2003	100	100	100	1.0	1.0
Yr	2004	100	100	100	1.0	1.0
Yr	2005	100	100	100	1.0	1.0
Yr	2006	100	100	100	1.0	1.0
Yr	2007	100	100	100	1.0	1.0
Yr	2008	100	100	100	1.0	1.0
Yr	2009	100	100	100	1.0	1.0
Yr	2010	100	100	100	1.0	1.0
Yr	2011	100	100	100	1.0	1.0
Yr	2012	100	100	100	1.0	1.0
Yr	2013	100	100	100	1.0	1.0
Yr	2014	100	100	100	1.0	1.0
Yr	2015	100	100	100	1.0	1.0
Yr	2016	100	100	100	1.0	1.0
Yr	2017	100	100	100	1.0	1.0
Yr	2018	100	100	100	1.0	1.0
Yr	2019	100	100	100	1.0	1.0
Yr	2020	100	100	100	1.0	1.0
Yr	2021	100	100	100	1.0	1.0
Yr	2022	100	100	100	1.0	1.0
Yr	2023	100	100	100	1.0	1.0
Yr	2024	100	100	100	1.0	1.0
Yr	2025	100	100	100	1.0	1.0
Yr	2026	100	100	100	1.0	1.0
Yr	2027	100	100	100	1.0	1.0
Yr	2028	100	100	100	1.0	1.0
Yr	2029	100	100	100	1.0	1.0
Yr	2030	100	100	100	1.0	1.0
Yr	2031	100	100	100	1.0	1.0
Yr	2032	100	100	100	1.0	1.0
Yr	2033	100	100	100	1.0	1.0
Yr	2034	100	100	100	1.0	1.0
Yr	2035	100	100	100	1.0	1.0
Yr	2036	100	100	100	1.0	1.0
Yr	2037	100	100	100	1.0	1.0
Yr	2038	100	100	100	1.0	1.0
Yr	2039	100	100	100	1.0	1.0
Yr	2040	100	100	100	1.0	1.0
Yr	2041	100	100	100	1.0	1.0
Yr	2042	100	100	100	1.0	1.0
Yr	2043	100	100	100	1.0	1.0
Yr	2044	100	100	100	1.0	1.0
Yr	2045	100	100	100	1.0	1.0
Yr	2046	100	100	100	1.0	1.0
Yr	2047	100	100	100	1.0	1.0
Yr	2048	100	100	100	1.0	1.0
Yr	2049	100	100	100	1.0	1.0
Yr	2050	100	100	100	1.0	1.0
Yr	2051	100	100	100	1.0	1.0
Yr	2052	100	100	100	1.0	1.0
Yr	2053	100	100	100	1.0	1.0
Yr	2054	100	100	100	1.0	1.0
Yr	2055	100	100	100	1.0	1.0
Yr	2056	100	100	100	1.0	1.0
Yr	2057	100	100	100	1.0	1.0
Yr	2058	100	100	100	1.0	1.0
Yr	2059	100	100	100	1.0	1.0
Yr	2060	100	100	100	1.0	1.0
Yr	2061	100	100	100	1.0	1.0
Yr	2062	100	100	100	1.0	1.0
Yr	2063	100	100	100	1.0	1.0
Yr	2064	100	100	100	1.0	1.0
Yr	2065	100	100	100	1.0	1.0
Yr	2066	100	100	100	1.0	1.0
Yr	2067	100	100	100	1.0	1.0
Yr	2068	100	100	100	1.0	1.0
Yr	2069	100	100	100	1.0	1.0
Yr	2070	100	100	100	1.0	1.0
Yr	2071	100	100	100	1.0	1.0
Yr	2072	100	100	100	1.0	1.0
Yr	2073	100	100	100	1.0	1.0
Yr	2074	100	100	100	1.0	1.0
Yr	2075	100	100	100	1.0	1.0
Yr	2076	100	100	100	1.0	1.0
Yr	2077	100	100	100	1.0	1.0
Yr	2078	100	100	100	1.0	1.0
Yr	2079	100	100	100	1.0	1.0
Yr	2080	100	100	100	1.0	1.0
Yr	2081	100	100	100	1.0	1.0
Yr	2082	100	100	100	1.0	1.0
Yr	2083	100	100	100	1.0	1.0
Yr	2084	100	100	100	1.0	1.0
Yr	2085	100	100	100	1.0	1.0
Yr	2086	100	100	100	1.0	1.0
Yr	2087	100	100	100	1.0	1.0
Yr	2088	100	100	100	1.0	1.0
Yr	2089	100	100	100	1.0	1.0
Yr	2090	100	100	100	1.0	1.0
Yr	2091	100	100	100	1.0	1.0
Yr	2092	100	100	100	1.0	1.0
Yr	2093	100	100	100	1.0	1.0
Yr	2094	100	100	100	1.0	1.0
Yr	2095	100	100	100	1.0	1.0
Yr	2096	100	100	100	1.0	1.0
Yr	2097	100	100	100	1.0	1.0
Yr	2098	100	100	100	1.0	1.0
Yr	2099	100	100	100	1.0	1.0
Yr	2100	100	100	100	1.0	1.0
Yr	2101	100	100	100	1.0	1.0
Yr	2102	100	100	100	1.0	1.0
Yr	2103	100	100	100	1.0	1.0
Yr	2104	100	100	100	1.0	1.0
Yr	2105	100	100	100	1.0	1.0
Yr	2106	100	100	100	1.0	1.0
Yr	2107	100	100	100	1.0	1.0
Yr	2108	100	100	100	1.0	1.0
Yr	2109	100	100	100	1.0	1.0
Yr	2110	100	100	100	1.0	1.0
Yr	2111	100	100	100	1.0	1.0
Yr	2112	100	100	100	1.0	1.0
Yr	2113	100	100	100	1.0	1.0
Yr	2114	100	100	100	1.0	1.0
Yr	2115	100	100	100	1.0	1.0
Yr	2116	100	100	100	1.0	1.0
Yr	2117	100	100	100	1.0	1.0
Yr	2118	100	100	100	1.0	1.0
Yr	2119	100	100	100	1.0	1.0
Yr	2120	100	100	100	1.0	1.0
Yr	2121	100	100	100	1.0	1.0
Yr	2122	100	100	100	1.0	1.0
Yr	2123	100	100	100	1.0	1.0
Yr	2124	100	100	100	1.0	1.0
Yr	2125	100	100	100	1.0	1.0
Yr	2126	100	100	100	1.0	1.0
Yr	2127	100	100	100	1.0	1.0
Yr	2128	100	100	100	1.0	1.0
Yr	2129	100	100	100	1.0	1.0
Yr	2130	100	100	100	1.0	1.0
Yr	2131	100	100	100	1.0	1.0
Yr	2132	100	100	100	1.0	1.0
Yr	2133	100	100	100	1.0	1.0
Yr	2134	100	100	100	1.0	1.0
Yr	2135	100	100	100	1.0	1.0
Yr	2136	100	100	100	1.0	1.0
Yr	2137	100	100	100	1.0	1.0
Yr	2138	100	100	100	1.0	1.0
Yr	2139	100	100	100	1.0	1.0
Yr	2140	100	100	100	1.0	1.0
Yr	2141	100	100	100	1.0	1.0
Yr	2142	100	100	100	1.0	1.0
Yr	2143	100	100	100	1.0	1.0
Yr	2144	100	100	100	1.0	1.0
Yr	2145	100	100	100	1.0	1.0
Yr	2146	100	100	100	1.0	1.0
Yr	2147	100	100	100	1.0	1.0
Yr	2148	100	100	100	1.0	1.0
Yr	2149	100	100	100	1.0	1.0
Yr	2150	100	100	100	1.0	1.0
Yr	2151	100	100	100	1.0	1.0
Yr	2152	100	100	100	1.0	1.0
Yr	2153	100	100	100	1.0	1.0
Yr	2154	100	100	100	1.0	1.0
Yr	2155	100	100	100	1.0	1.0
Yr	2156	100	100	100	1.0	1.0
Yr	2157	100	100	100	1.0	1.0
Yr	2158	100	100	100	1.0	1.0
Yr	2159	100	100	100	1.0	1.0
Yr	2160	100	100	100	1.0	1.0
Yr	2161	100	100	100	1.0	1.0
Yr	2162	100	100	100	1.0	1.0
Yr	2163	100	100	100	1.0	1.0
Yr	2164	100	100	100	1.0	1.0
Yr	2165	100	100	100	1.0	1.0
Yr	2166	100	100	100	1.0	1.0
Yr	2167	100	100	100	1.0	1.0
Yr	2168	100	100	100	1.0	1.0
Yr	2169	100	100	100	1.0	1.0
Yr	2170	100	100	100	1.0	1.0
Yr	2171	100	100	100	1.0	1.0
Yr	2172	100	100	100	1.0	1.0
Yr	2173	100	100	100	1.0	1.0
Yr	2174	100	100	100	1.0	1.0
Yr	2175	100	100	100	1.0	1.0
Yr	2176	100				

ELECTRICALS - Cont.[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

HOTELS & LEISURE - Cont.

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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INVESTMENT TRUSTS - Contd[illegible]

4.0	-
40.6	-
1.7	-
14.4	-
-	-
11.2	-
-4.2	-
16.6	-
63.4	-
7.7	-
16.0	-
12.7	-
18.0	-
28.6	-
5.8	-
10.6	-
15.0	-
1.1	-
7.8	-
6.4	-
2.3	-
2.5	-
9.5	-
0.4	-
17.8	-
26.0	-
1.1	-
17.8	-
31.1	-
5.1	-
-	-
-	-
11.6	-
14.7	-
9.3	-
-	-
4.9	-
-	-
0.2	-
5.0	-
-	-
2.3	-
-	-
-	-

INDEXES 3-41

MINES - Cont.									
Price	+0	1963	Min	Yrs	P/E	No.			
450	high	111	5.32	6.71	14.3	O.R.N.			
370	+1/2	106	5.00	6.71	14.3	R.M.			
350	+1/2	106	4.60	1,191	4.1	F.C. Corp.			
340	+1/2	106	4.60	1,191	4.1	F.C. Corp.			
184	+1/2	107	48	30.2	2.8	Fry State Ind.			
195	+1/2	107	189	48	30.2	Hannaway			
195	+1/2	108	71	36.0	4.1	Joint Int.			
34 1/2	+1/2	8	1	41.1	1.1	L.A. Corp.			
172	+1/2	70	48	5.45	2.7	St. Helens			
172	+1/2	108	158	17.7	2.7	Shaw			
NETWORKS									
Price	+0	1963	Min	Yrs	P/E	No.			
450	high	111	5.32	6.71	14.3	Amper Am Inc.			
370	+1/2	106	5.00	6.71	14.3	Do Rents Ltd.			
350	+1/2	106	4.60	1,191	4.1	Impulse Pk.			
340	+1/2	106	4.60	1,191	4.1	Lightening			
184	+1/2	107	48	30.2	2.8	P.C. Corp.			
195	+1/2	107	189	48	30.2	Ratennberg			
195	+1/2	108	71	36.0	4.1	Wanda Prod. Co.			
34 1/2	+1/2	8	1	41.1	1.1	Whitney's S.			
172	+1/2	70	48	5.45	2.7	Wm. Fox			
172	+1/2	108	158	17.7	2.7	Cable Car SDO.			
FINANCE									
Price	+0	1963	Min	Yrs	P/E	No.			
450	high	111	5.32	6.71	14.3	Amper Am Inc.			
370	+1/2	106	5.00	6.71	14.3	Do Rents Ltd.			
350	+1/2	106	4.60	1,191	4.1	Impulse Pk.			
340	+1/2	106	4.60	1,191	4.1	Lightening			
184	+1/2	107	48	30.2	2.8	P.C. Corp.			
195	+1/2	107	189	48	30.2	Ratennberg			
195	+1/2	108	71	36.0	4.1	Wanda Prod. Co.			
34 1/2	+1/2	8	1	41.1	1.1	Whitney's S.			
172	+1/2	70	48	5.45	2.7	Wm. Fox			
172	+1/2	108	158	17.7	2.7	Cable Car SDO.			

[illegible][illegible]

594	+16	965	272	85.1	11.4
595	+19	971	333	113.6	11.4
596	+3	980	37	14.4	-
597	+8	918	358	1,021	4.2
598	+1	917	117	33.7	8.5
599	+23	925	117	33.7	8.5
600	+8	913	101	281.8	3.3
601	-50	2198	844	340.7	4.1
602	+1	116	10	9.80	8.1
603	+8	890A	178	6,205	4.7
604	+38	251	28	111.7	2.4
605	+8	225A	15	504.3	2.4
606	+6	18	57.5	57.5	8.8

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AUTHORISED UNIT TRUSTS

[illegible][illegible]

McLaurie Securit Unit Trusts (4000)									
Investment in the fund is £100,000									
april 87 - oct 88									
Investment	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Capital	0.00</								

[illegible]

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen weakens on agency report

THE YEN enjoyed a modest advance against the dollar at the start of European trading yesterday but later fell back on reports that the Bank of Japan would cut its discount rate by 75 basis points, writes James Bly.

The Japanese currency has appreciated against the dollar in recent days amid suspicions that the US administration has been disappointed by the Japanese fiscal stimulus announced last week.

Although the headline figure for the package of over 6 trillion yen was a little larger than had been expected, dealers have been concerned by the lack of tax cutting measures in the proposals. That sentiment would partly explain why the yen appreciated against the dollar at the start of European trading yesterday, appreciating from an opening of ¥104.50 to a high of ¥105.80.

Today's move on the official discount rate (ODR) will be critical for determining the near-term course of the dollar/yen exchange rate.

A cut in the ODR by 50 basis points, to 2 per cent, has been fully priced in by the market, and is unlikely to have much impact on the yen.

But the Japanese news

agency, Jiji press, excited dealers in currency and fixed interest markets yesterday, by saying that the ODR could be reduced by 75 basis points at today's meeting of the Bank of Japan to a post-war low of 1.75 per cent. The news triggered an immediate rise in the value of the dollar, which closed at ¥104.26.

"A 75 basis point cut could be the thing that stops the US criticising the economic package at this week's meetings with the Japanese," said Mr Mike Gallagher of I.D.E.A., the financial market consultants.

"Anything less would force the US to make it clear that the overall package has been insufficient."

The dollar was also a little firmer against the D-Mark.

Some dealers sold the German currency in the wake of the local election results in Hamburg, which saw all three of Germany's main political parties suffering heavy losses.

The D-Mark may also have come under pressure from expectations that the latest figure for M3 money supply growth, due this week, will be a great deal lower than expected.

At the end of last week, there were strong expectations that the figure would fall into the Bundesbank's target range for annualised M3, of 4.5 to 6.5 per cent.

Those expectations have faded a little. But some dealers were still wondering yesterday whether the Bundesbank would introduce a variable rate repo in this week's money market operations for the first time since the latest crisis in the exchange rate mechanism.

The dollar peaked at DM1.6215 from a previous DM1.6085. It later fell back on fears that central banks would sell dollars for D-Marks and closed at DM1.6125. Sterling closed unchanged at Dk2.4700.

EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Current	Change	% Change	Spread	Dividend
Dutch Guilder	1.0000	1.3612	-0.0001	-0.007	0.0000	0.0000
French Franc	100.00	163.33	-0.01	-0.006	0.0000	0.0000
Italian Lira	1.0000	1.3612	-0.0001	-0.007	0.0000	0.0000
Spanish Peseta	166.67	166.67	0.00	0.000	0.0000	0.0000
Portuguese Escudo	200.00	200.00	0.00	0.000	0.0000	0.0000
Irish Punt	7.8756	7.8756	0.00	0.000	0.0000	0.0000
Greek Drachma	100.00	100.00	0.00	0.000	0.0000	0.0000
Swedish Krona	100.00	100.00	0.00	0.000	0.0000	0.0000
Finland Markka	100.00	100.00	0.00	0.000	0.0000	0.0000
Denmark Krone	100.00	100.00	0.00	0.000	0.0000	0.0000

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

POUND SPOT - FORWARD AGAINST THE POUND

	Spot	1 month	3 months	6 months	12 months
US Dollar	1.6125	1.6125	1.6125	1.6125	1.6125
French Franc	163.33	163.33	163.33	163.33	163.33
Italian Lira	1.3612	1.3612	1.3612	1.3612	1.3612
Spanish Peseta	166.67	166.67	166.67	166.67	166.67
Portuguese Escudo	200.00	200.00	200.00	200.00	200.00
Irish Punt	7.8756	7.8756	7.8756	7.8756	7.8756
Greek Drachma	100.00	100.00	100.00	100.00	100.00
Swedish Krona	100.00	100.00	100.00	100.00	100.00
Finland Markka	100.00	100.00	100.00	100.00	100.00
Denmark Krone	100.00	100.00	100.00	100.00	100.00

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Spot	1 month	3 months	6 months	12 months
US Dollar	1.0000	1.0000	1.0000	1.0000	1.0000
French Franc	163.33	163.33	163.33	163.33	163.33
Italian Lira	1.3612	1.3612	1.3612	1.3612	1.3612
Spanish Peseta	166.67	166.67	166.67	166.67	166.67
Portuguese Escudo	200.00	200.00	200.00	200.00	200.00
Irish Punt	7.8756	7.8756	7.8756	7.8756	7.8756
Greek Drachma	100.00	100.00	100.00	100.00	100.00
Swedish Krona	100.00	100.00	100.00	100.00	100.00
Finland Markka	100.00	100.00	100.00	100.00	100.00
Denmark Krone	100.00	100.00	100.00	100.00	100.00

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

EURO-CURRENCY INTEREST RATES

	3 months	6 months	12 months	18 months	24 months
US Dollar	5.50	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50	5.50
Irish Punt	5.50	5.50	5.50	5.50	5.50
Greek Drachma	5.50	5.50	5.50	5.50	5.50
Swedish Krona	5.50	5.50	5.50	5.50	5.50
Finland Markka	5.50	5.50	5.50	5.50	5.50
Denmark Krone	5.50	5.50	5.50	5.50	5.50

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

EXCHANGE CROSS RATES

	US Dollar	French Franc	Italian Lira	Spanish Peseta	Portuguese Escudo	Irish Punt	Greek Drachma	Swedish Krona	Finland Markka	Denmark Krone
US Dollar	1.0000	163.33	1.3612	166.67	200.00	7.8756	100.00	100.00	100.00	100.00
French Franc	0.0061	1.0000	0.0080	1.6667	200.00	7.8756	100.00	100.00	100.00	100.00
Italian Lira	0.7344	0.1250	1.0000	1.6667	200.00	7.8756	100.00	100.00	100.00	100.00
Spanish Peseta	0.0060	0.0600	0.0600	1.0000	200.00	7.8756	100.00	100.00	100.00	100.00
Portuguese Escudo	0.0050	0.0050	0.0050	0.0050	1.0000	7.8756	100.00	100.00	100.00	100.00
Irish Punt	0.1270	0.1270	0.1270	0.1270	0.1270	1.0000	100.00	100.00	100.00	100.00
Greek Drachma	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	1.0000	100.00	100.00	100.00
Swedish Krona	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	1.0000	100.00	100.00
Finland Markka	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	1.0000	100.00
Denmark Krone	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	1.0000

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

LONDON INTERBANK FIXING

	11.00 a.m. Sep 20	3 months US dollars	6 months US dollars
US Dollar	1.6125	1.6125	1.6125
French Franc	163.33	163.33	163.33
Italian Lira	1.3612	1.3612	1.3612
Spanish Peseta	166.67	166.67	166.67
Portuguese Escudo	200.00	200.00	200.00
Irish Punt	7.8756	7.8756	7.8756
Greek Drachma	100.00	100.00	100.00
Swedish Krona	100.00	100.00	100.00
Finland Markka	100.00	100.00	100.00
Denmark Krone	100.00	100.00	100.00

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

MONEY RATES

	1 month	3 months	6 months	12 months	18 months	24 months
US Dollar	5.50	5.50	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50	5.50	5.50
Irish Punt	5.50	5.50	5.50	5.50	5.50	5.50
Greek Drachma	5.50	5.50	5.50	5.50	5.50	5.50
Swedish Krona	5.50	5.50	5.50	5.50	5.50	5.50
Finland Markka	5.50	5.50	5.50	5.50	5.50	5.50
Denmark Krone	5.50	5.50	5.50	5.50	5.50	5.50

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

LONDON MONEY RATES

	1 month	3 months	6 months	12 months	18 months	24 months
US Dollar	5.50	5.50	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50	5.50	5.50
Irish Punt	5.50	5.50	5.50	5.50	5.50	5.50
Greek Drachma	5.50	5.50	5.50	5.50	5.50	5.50
Swedish Krona	5.50	5.50	5.50	5.50	5.50	5.50
Finland Markka	5.50	5.50	5.50	5.50	5.50	5.50
Denmark Krone	5.50	5.50	5.50	5.50	5.50	5.50

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

FINANCIAL FUTURES AND OPTIONS

	1 month	3 months	6 months	12 months	18 months	24 months
US Dollar	5.50	5.50	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50	5.50	5.50
Irish Punt	5.50	5.50	5.50	5.50	5.50	5.50
Greek Drachma	5.50	5.50	5.50	5.50	5.50	5.50
Swedish Krona	5.50	5.50	5.50	5.50	5.50	5.50
Finland Markka	5.50	5.50	5.50	5.50	5.50	5.50
Denmark Krone	5.50	5.50	5.50	5.50	5.50	5.50

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

LONDON (JIFFE)

	1 month	3 months	6 months	12 months	18 months	24 months
US Dollar	5.50	5.50	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50	5.50	5.50
Irish Punt	5.50	5.50	5.50	5.50	5.50	5.50
Greek Drachma	5.50	5.50	5.50	5.50	5.50	5.50
Swedish Krona	5.50	5.50	5.50	5.50	5.50	5.50
Finland Markka	5.50	5.50	5.50	5.50	5.50	5.50
Denmark Krone	5.50	5.50	5.50	5.50	5.50	5.50

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

LONDON (JIFFE)

	1 month	3 months	6 months	12 months	18 months	24 months
US Dollar	5.50	5.50	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50	5.50	5.50
Irish Punt	5.50	5.50	5.50	5.50	5.50	5.50
Greek Drachma	5.50	5.50	5.50	5.50	5.50	5.50
Swedish Krona	5.50	5.50	5.50	5.50	5.50	5.50
Finland Markka	5.50	5.50	5.50	5.50	5.50	5.50
Denmark Krone	5.50	5.50	5.50	5.50	5.50	5.50

US dollar rates set by the European Central Bank. Changes are in percentage relative to the dollar. Percentages are based on the dollar rate of 100.00. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies. The dollar rate is the base rate for all other currencies.

LONDON (JIFFE)

	1 month	3 months	6 months	12 months	18 months	24 months
US Dollar	5.50	5.50	5.50	5.50	5.50	5.50
French Franc	5.50	5.50	5.50	5.50	5.50	5.50
Italian Lira	5.50	5.50	5.50	5.50	5.50	5.50
Spanish Peseta	5.50	5.50	5.50	5.50	5.50	5.50
Portuguese Escudo	5.50	5.50	5.50	5.50		
Irish Punt	5.50	5.50	5.50	5.50		

Estimated monthly volume (in \$ mil)	
Previous day's open int. (0)	
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4 pm close September 20


NEW YORK STOCK EXCHANGE COMPOSITE PRICES

NYSE Composite									
Index	Value	Change	High	Low	Open	Close	Volume	Value	Change
NYSE Composite	2,845.12	+1.12	2,845.12	2,845.12	2,845.12	2,845.12	1,123,456	2,845.12	+1.12
Dow Jones Industrial	8,123.45	+15.67	8,123.45	8,123.45	8,123.45	8,123.45	567,890	8,123.45	+15.67
S&P 500	2,345.67	+0.89	2,345.67	2,345.67	2,345.67	2,345.67	789,012	2,345.67	+0.89
NASDAQ Composite	1,234.56	+2.34	1,234.56	1,234.56	1,234.56	1,234.56	234,567	1,234.56	+2.34
NYSE-100	1,567.89	+1.23	1,567.89	1,567.89	1,567.89	1,567.89	123,456	1,567.89	+1.23
NYSE-200	1,234.56	+0.78	1,234.56	1,234.56	1,234.56	1,234.56	98,765	1,234.56	+0.78
NYSE-300	1,012.34	+0.56	1,012.34	1,012.34	1,012.34	1,012.34	76,543	1,012.34	+0.56
NYSE-400	890.12	+0.45	890.12	890.12	890.12	890.12	65,432	890.12	+0.45
NYSE-500	768.90	+0.34	768.90	768.90	768.90	768.90	54,321	768.90	+0.34
NYSE-600	646.78	+0.23	646.78	646.78	646.78	646.78	43,210	646.78	+0.23
NYSE-700	524.66	+0.12	524.66	524.66	524.66	524.66	32,109	524.66	+0.12
NYSE-800	402.54	+0.01	402.54	402.54	402.54	402.54	21,098	402.54	+0.01
NYSE-900	280.42	+0.00	280.42	280.42	280.42	280.42	10,987	280.42	+0.00
NYSE-1000	158.30	+0.00	158.30	158.30	158.30	158.30	9,876	158.30	+0.00
NYSE-1100	36.18	+0.00	36.18	36.18	36.18	36.18	8,765	36.18	+0.00
NYSE-1200	24.06	+0.00	24.06	24.06	24.06	24.06	7,654	24.06	+0.00
NYSE-1300	11.94	+0.00	11.94	11.94	11.94	11.94	6,543	11.94	+0.00
NYSE-1400	9.82	+0.00	9.82	9.82	9.82	9.82	5,432	9.82	+0.00
NYSE-1500	7.70	+0.00	7.70	7.70	7.70	7.70	4,321	7.70	+0.00
NYSE-1600	5.58	+0.00	5.58	5.58	5.58	5.58	3,210	5.58	+0.00
NYSE-1700	3.46	+0.00	3.46	3.46	3.46	3.46	2,109	3.46	+0.00
NYSE-1800	1.34	+0.00	1.34	1.34	1.34	1.34	1,098	1.34	+0.00
NYSE-1900	0.22	+0.00	0.22	0.22	0.22	0.22	987	0.22	+0.00
NYSE-2000	0.10	+0.00	0.10	0.10	0.10	0.10	876	0.10	+0.00
NYSE-2100	0.08	+0.00	0.08	0.08	0.08	0.08	765	0.08	+0.00
NYSE-2200	0.06	+0.00	0.06	0.06	0.06	0.06	654	0.06	+0.00
NYSE-2300	0.04	+0.00	0.04	0.04	0.04	0.04	543	0.04	+0.00
NYSE-2400	0.02	+0.00	0.02	0.02	0.02	0.02	432	0.02	+0.00
NYSE-2500	0.01	+0.00	0.01	0.01	0.01	0.01	321	0.01	+0.00
NYSE-2600	0.00	+0.00	0.00	0.00	0.00	0.00	210	0.00	+0.00
NYSE-2700	0.00	+0.00	0.00	0.00	0.00	0.00	109	0.00	+0.00
NYSE-2800	0.00	+0.00	0.00	0.00	0.00	0.00	98	0.00	+0.00
NYSE-2900	0.00	+0.00	0.00	0.00	0.00	0.00	87	0.00	+0.00
NYSE-3000	0.00	+0.00	0.00	0.00	0.00	0.00	76	0.00	+0.00
NYSE-3100	0.00	+0.00	0.00	0.00	0.00	0.00	65	0.00	+0.00
NYSE-3200	0.00	+0.00	0.00	0.00	0.00	0.00	54	0.00	+0.00
NYSE-3300	0.00	+0.00	0.00	0.00	0.00	0.00	43	0.00	+0.00
NYSE-3400	0.00	+0.00	0.00	0.00	0.00	0.00	32	0.00	+0.00
NYSE-3500	0.00	+0.00	0.00	0.00	0.00	0.00	21	0.00	+0.00
NYSE-3600	0.00	+0.00	0.00	0.00	0.00	0.00	10	0.00	+0.00
NYSE-3700	0.00	+0.00	0.00	0.00	0.00	0.00	9	0.00	+0.00
NYSE-3800	0.00	+0.00	0.00	0.00	0.00	0.00	8	0.00	+0.00
NYSE-3900	0.00	+0.00	0.00	0.00	0.00	0.00	7	0.00	+0.00
NYSE-4000	0.00	+0.00	0.00	0.00	0.00	0.00	6	0.00	+0.00
NYSE-4100	0.00	+0.00	0.00	0.00	0.00	0.00	5	0.00	+0.00
NYSE-4200	0.00	+0.00	0.00	0.00	0.00	0.00	4	0.00	+0.00
NYSE-4300	0.00	+0.00	0.00	0.00	0.00	0.00	3	0.00	+0.00
NYSE-4400	0.00	+0.00	0.00	0.00	0.00	0.00	2	0.00	+0.00
NYSE-4500	0.00	+0.00	0.00	0.00	0.00	0.00	1	0.00	+0.00
NYSE-4600	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-4700	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-4800	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-4900	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5000	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5100	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5200	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5300	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5400	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5500	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5600	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5700	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5800	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-5900	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6000	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6100	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6200	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6300	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6400	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6500	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6600	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6700	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6800	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-6900	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7000	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7100	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7200	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7300	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7400	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7500	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7600	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7700	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7800	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-7900	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8000	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8100	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8200	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8300	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8400	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8500	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8600	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8700	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8800	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-8900	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9000	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9100	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9200	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9300	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9400	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9500	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9600	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9700	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9800	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-9900	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00
NYSE-10000	0.00	+0.00	0.00	0.00	0.00	0.00	0	0.00	+0.00

Continued on next page

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SAMSUNG
ELECTRONICS

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AMERICA

Dow regains a measure of composure

Wall Street

US SHARE prices traded in a narrow range on either side of opening values yesterday morning as the stock markets settled down after last Friday's expiry-related gyrations, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 4.78 at 3,604.50. The more broadly-based Standard & Poor's 500 was down 0.12 at 483.71, while the Amex composite was 0.77 lower at 452.04, and the Nasdaq composite up 3.44 at 743.55. NYSE volume was 123m shares by 1 pm.

After last Friday's session, when a frenzy of trading related to the "triple-witching" expiry of futures and options contracts sent volume soaring and prices plummeting, investors were glad to return to more normal trading patterns yesterday morning.

Although prices eased at the opening in what may have been a hangover from Friday, there was little selling pressure and, within a few minutes, the Dow had clawed back most of its initial losses. In the absence of fresh economic news, or a lead from the bond market, where Treasury prices were also little changed, stocks remained in a narrow trading range all morning.

Analysts said that the lack of activity was partly a reflection of investors' caution ahead of several important events due later this week, including the meeting of the Federal Reserve's policy-making Open Market Committee and the official unveiling of President Clinton's healthcare reform package.

Among individual stocks, Paramount Communications climbed another \$1 to \$68.95 in volume of 1.7m shares as speculation mounted that a rival bid to Viacom's \$8.2bn offer for the entertainment group may soon emerge. Over the week-

end, reports emerged claiming that Turner Broadcasting and the home-shopping network, QVC, were considering bidding for Paramount, possibly in a joint deal, while rumours also suggested that Blockbuster Entertainment or the German media group, Bertelsmann, might enter the fray.

Nike slumped \$2 to \$46, a new 52-week low, in heavy trading after the sports shoe-maker announced a drop in fiscal first quarter earnings and warned that because of the sluggish US and international economies it did not expect full-year 1994 earnings will match the record results of 1993.

National Health Laboratories fell \$1 1/4 to \$15.14 in volume of 2.2m shares after the company admitted that it had received a subpoena from the government, which is again investigating its billing practices.

Goodyear Tire & Rubber rose \$1/4 to \$45.75 after the brokerage house, Smith Barney Shearson, upgraded its rating on the stock from "neutral" to "buy".

On the Nasdaq market, Centec rose \$1 1/4 to \$10.12 in busy trading as investors reacted to the news that the company is forming an oncology alliance with the UK group, Wellcome, to market anti-cancer agents.

Canada

TORONTO gave up a modest advance by midday as weakness in transport and financial services stocks offset a firm showing by precious metals issues. The TSX 300 composite index slipped 8.25 to 3,970.06 at noon in turnover of C\$308.1m.

SOUTH AFRICA

JOHANNESBURG was weaker overall, with De Beers off R.50 at R278 and Anglo down R1.50 at R219.50. The gold shares index shed 10 to 1,838, industrial 19 to 4,501 and the overall index 17 to 3,831. Kloof lost 50 cents to R44.50.

EUROPE

Traders take initiative as Frankfurt rises 1.6%

THERE WAS some talk that a firm dollar early in the day gave bourses a good start, but most centres had their own story to tell, writes Our Markets Staff.

FRANKFURT extended Friday's rally, the DAX index rising 30.85, or 1.6 per cent, to 1,912.84 on the session and by another 10 points in the post-bourse.

Following the relaxed line taken last week by Mr Helmut Schlesinger, the retiring Bundesbank president, there were hopes of lower repo rates this week after the upcoming M3 and inflation indications. However, Mr Jens Wiewel of the Merck Finck in Düsseldorf said that this was a traders' market. "Investor interest was rather weak," he said.

Turnover fell from DM12.5bn to DM7.8bn. Daimler, which disclosed big losses last Friday, once again led the rally, putting on DM24.50 to DM746 in the official session and climbing further in the London afternoon. Having been told that the September quarter is going to be no better for Daim-

ler, traders were saying that all the bad news was now in the price - which has risen from DM610 in the past three months.

PARIS closed moderately higher, erasing mid-session losses. The CAC-40 index ended up 1.56 at 2,107.36 in turnover of some FF4.5bn.

With the publication yesterday of the preliminary prospectus for the privatisation of BNP, the bank's investment certificates shed FF18 to FF254. The government has said that the privatisation process will be completed by December 20 at the latest.

Michelin lost FF2.2 to FF177.3 ahead of today's interim results. The consensus is that the tyre manufacturer will release a substantial first half loss. Mr Christopher de Mattos at Hoare Govett said: "excluding restructuring provisions we are forecasting a loss of FF700m for the period. The size of restructuring provisions is far from clear, but the company is laying off at least 10,000 workers over the 1993 and 1994 financial years, possi-

bly leading to provisions of FF2bn to FF3bn this year. In spite of this poor short term outlook, we remain positive on the share for the longer term".

Elsewhere in the automotive sector Valeo rose FF2.2 to FF1,056, but off the day's high of FF1,090, believed to have been the result of a buy recommendation.

AMSTERDAM was driven mainly by options trading which lifted the CBS Tendency index by 1.4 to 128.4.

With the major companies now having released interim results the main news this week will come from the release of the budget, expected today. "With a general election

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES				
		Open	10.30	11.00	12.00	13.00
Hourly changes						
FT-SE Eurotrack 100	1288.58	1271.40	1273.25	1274.36	1274.85	1274.40
FT-SE Eurotrack 200	1343.83	1343.15	1343.92	1343.25	1343.24	1343.72
		Sep 17	Sep 18	Sep 15	Sep 14	Sep 13
FT-SE Eurotrack 100	1286.02	1287.07	1280.47	1279.94	1276.64	
FT-SE Eurotrack 200	1343.90	1335.97	1337.25	1337.12	1331.84	

Index value 1000 (200/1000) Highway: 100 - 1278.71; 200 - 1335.42; London: 100 - 1281.71; 200 - 1343.25

cast of a worse than expected loss of up to SF750m for the full year. However, the shares ended just SF711 easier at SF7885 after the group said it expected to break even in 1994.

Bearer shares in SMI, the watchmaker, which were under pressure last week, picked up to finish SF740 higher at SF1,085. Jelmoll, the retail group, surged SF60 or 8.2 per cent to SF790. Hoare Govett, which has forecast doubled earnings in 1994.

MADRID rose on both technical and fundamental grounds, said FG, the brokers, derivatives traders buying baskets of equities as they sold futures at a premium, and banks gaining as the Bank of Spain lowered their reserve requirements.

The general index closed 3.85 higher at 288.85 in turnover estimated at Ptas17.8bn. Bankinter and BBV led the banking sector with gains of Ptas350 to Ptas10,500, and Ptas80 to Ptas3,500 respectively.

MILAN edged lower, the Comit index losing 5.30 at 590.55. Insurers were an exception following the start of Allianz's rights issue last Thursday. Allianz rose 1.364 to 1,163.96, while Generali added 1.290 to 1,398.00.

Ferruzzi remained volatile, opening limit down before bouncing back to close 1.8650 higher at 1,291.50 in highly speculative trade as investors decided that the 10 per cent declines seen in each of the six previous trading sessions had been overdone.

BRUSSELS fell back, with the Bel-20 index dropping below the 1,300 level for the first time since early July. The index ended off 10.32 at 1,290.84 in turnover of BF1.25bn on the last day of the account.

ISTANBUL lost 2.4 per cent on profit-taking after an early rally had carried the market to an all-time high at mid-session. The composite index closed down 33.3 to 14,126.5 in turnover of TL1.600bn.

WARSAW plunged after a strong showing by left-wing parties in Sunday's elections, the WIG index falling 4.43, or 6.3 per cent to 6,611.7.

STEELS and shipbuilders were also hit by profit-taking. Nippon Steel lost Y1 to Y330, Kawasaki Steel Y3 to Y232 and Mitsubishi Heavy Industries Y9 to Y676.

Meanwhile, biotechnology issues were higher ahead of a state of medical and academic meetings. Takeda Chemical rose Y30 to Y1,330 and Yamanouchi Pharmaceutical gained Y10 to Y450.

In Osaka, the OSE average dipped 116.04 to 22,393.49 in volume of 46.3m shares.

WITH South Korea as a speculative exception, gentle declines seemed to be the order of the day around a relatively subdued Pacific Rim.

HONG KONG lost ground but recovered from a fall of 100 points seen in early trading. The Hang Seng index was finally 27.51 off at 7,300.60 in

turnover of HK\$3bn. The market was closed on Friday because of a severe tropical storm.

Hang Seng Bank fell HK\$1 to HK\$51.50 while Hutchison shed 20 cents to HK\$22.90 in active trading. Allied Group made a strong recovery to HK\$1.02, up 6 cents, following the release on Saturday of the results of a 13-month investigation into alleged corporate fraud. Allied Properties improved 3 cents to HK\$1.32.

SINGAPORE closed lower on profit-taking, although brokers said they expected prices to stay mixed in the near term, supported by the prospect of enhanced market liquidity.

The Straits Times Industrial index needed 10.01 to 1,988.87. Volume totalled 387.4m shares, down from 457.3m.

SEOUL finished higher on expectations of a government announcement cushioning the side-effects of last month's ban

on false-name financial trading. The composite index added 9.18 at 636.12 in turnover of Won380.9bn, against Won14.2bn registered in Saturday's half-day trade.

Seangyong Motor and Poongsan ended the day's limit up, both gaining Won600 at Won14,900 and Won15,200 respectively.

TAIWAN was lower on profit-taking after two days of gains, following the central bank's easing of credit limits last week. The weighted index slipped a net 25.69 to 3,927.81, after an intraday high of 3,971. Turnover was T\$19.3bn.

Construction shares were relatively strong, with Ever Fortune limit up at T\$67.50.

AUSTRALIA was easier in quiet trading, with BHP shedding 20 cents to A\$15.76 following last Friday's first-quarter results. The All Ordinaries index lost 1.4 to 1,524.1.

BANGKOK'S SET index pierced the 1,000 level on buying of second-liners and new issues in the morning, but profit-taking pared the gains and the index finished 1.21 down on the day at 997.01.

Analysts talked of a period of consolidation before a further sustained climb: investors were worried because Prime Minister Chuan Leekpai had still not announced his new cabinet line-up after dropping the Social Action party from the ruling coalition last week.

NEW ZEALAND was easier but off the day's lows in thin erratic trade. The NZSE-50 capital index lost 7.30 to 1,837.93.

MANILA ended lower, with a fall by PLDT on Wall Street triggering a long-awaited consolidation that broke last Friday's strong rally. The composite index fell 25.4, or 1.4 per cent, to 1,987.97.

PLDT shed 15 pesos to 1,360 pesos after a \$1 fall to \$485 on Wall Street.

ASIA PACIFIC

Nikkei in fourth consecutive decline on profit-taking

Tokyo

PROFIT-TAKING ahead of the September book closing overwhelmed expectations of an imminent cut in the official discount rate, writes Emiko Teruzono in Tokyo.

The Nikkei average fell for the fourth consecutive day, losing 125.01 to 20,266.03. The index was supported by public fund buying but faced profit-taking from financial institutions and fluctuated between 20,211.62 and 20,407.54.

Volume came to 220m shares, against 230m, remaining below 300m for the third trading day in a row. Declines led advances by 595 to 258, with 136 issues unchanged. The Topix index shed 13.44 to 1,639.90 and, in London, the ISE/Nikkei 50 index eased 1.00 to 1,251.19.

Speculation that the Bank of Japan would lower interest rates today failed to stimulate demand; a cut of 50 basis points had been discounted into share prices by the end of last week.

Institutions, looking to realise profits ahead of the end of September, are expected to remain leading sellers for the remainder of this week. Foreign investors were also seen liquidating arbitrage-linked positions.

Stocks which were bought on margin during the rally in April were sold as some individuals faced margin calls. Nippon Telegraph and Telephone fell Y19.00 to Y867,000, posting its fifth consecutive decline.

Other issues related to telecom infrastructure investments were also lower, with cable and wiremakers prominent. Fujikura weakened Y16 to Y876 and Mitsubishi Cable Industries Y15 to Y835.

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World Index remains on a downtrend

		MARKETS IN PERSPECTIVE					
		% change in local currency		% change in US \$			
		1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	121.98	-1.55	-2.80	+18.37	+22.57	+21.29	+22.93
Belgium	150.40	-1.05	-3.40	+15.26	+16.96	+11.38	+12.99
Denmark	123.75	-1.05	-2.67	+31.31	+23.53	+22.25	+23.90
Finland	220.81	-3.07	-7.99	+143.03	+89.49	+51.65	+53.71
France	122.81	-0.32	-0.82	+18.50	+16.54	+13.09	+14.62
Germany	127.84	+1.08	+2.04	+19.09	+21.55	+20.48	+22.52
Ireland	168.70	-2.28	-4.54	+38.52	+39.03	+21.50	+23.44
Italy	127.28	-0.47	-3.29	+81.25	+43.51	+34.08	+35.88
Netherlands	127.28	-0.92	-2.53	+21.44	+20.13	+19.20	+20.82
Norway	127.28	+1.12	-3.78	+43.25	+28.17	+24.58	+26.28
Spain	127.28	-1.07	-2.55	+38.53	+33.22	+18.63	+18.21
Sweden	127.28	-0.67	-2.48	+59.48	+38.40	+11.86	+11.86
Switzerland	127.28	+0.85	-3.39	+25.92	+19.31	+20.08	+21.71
UK	127.28	-1.08	-1.75	+25.15	+7.53	+7.53	+8.96
EUROPE	127.28	-0.48	-2.24	+26.49	+16.11	+15.97	+16.52
Australia	127.28	-0.82	+0.11	+22.38	+18.40	+11.57	+13.48
Hong Kong	127.28	-2.86	-1.91	+25.79	+32.17	+30.88	+32.35
Japan	127.28	-1.61	-0.83	+20.82	+24.90	+47.45	+49.44
Malaysia	127.28	+0.70	+6.94	+88.08	+48.98	+50.86	+52.90
New Zealand	127.28	-1.85	-3.80	+37.08	+30.58	+38.33	+40.22
Singapore	127.28	+0.71	+1.95	+54.78	+32.08	+33.95	+35.77
Canada	127.28	-0.52	-2.70	+6.44	+10.59	+5.58	+7.01
USA	127.28	-0.96	+0.51	+8.57	+8.33	+3.93	+5.33
Mexico	127.28	-3.94	-1.24	+38.47	+2.14	+1.14	+2.51
South Africa	127.28	+0.84	-5.33	+23.77	+21.74	+26.22	+27.93
WORLD INDEX	127.28	-0.91	-0.63	+17.88	+14.28	+18.56	+20.17

† Based on September 17th 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co, and NatWest Securities Limited.

By William Cochrane

In the five days to last Friday, the FT-Actuaries World Index registered precisely the same decline - 0.91 per cent - as it did in the week before. The way it got there changed marginally, with the index going into decline after a moderate rise in the week before.

Japan had an eventful time. Tokyo's Nikkei average opened the week with a 1.6 per cent gain and a new 1993 high on hopes of a discount rate cut and additional fiscal measures to support the economy. But then the market had second thoughts, and ran into pessimism in the back half of the week about the effects of the new government's economic package.

"Not only did the government's fiscal package fail to live up to expectations, but it was depressing the outlook for the domestic economy," said James Capel, the London stockbroker, "but the second quarter GNP data revealed the extent to which exporters

are suffering from the massive overvaluation of the yen and weakness in key export markets."

Nomura's global strategy team, headed by Mr Nicholas Knight, agreed with Capel on the Tokyo package and said that Japan and continental Europe were the most vulnerable equity markets. The remarkable performance in Europe was the gain in Germany, all of it last Friday as Daimler showed that getting a US quote had its disadvantages - to wit, the lifting of the corporate curtain which German companies, by the release of previous years' provisions, can draw over a bad year's losses.

Mr James Cornish, a strategist at NatWest Securities, said that analysts were beginning to take the view that most of the bad news about Germany had already been aired. Additionally, he said, there was a view that west German inflation and M3 figures, due this week, will allow the Bundesbank to make a more acceptable reduction in repo rates.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		FRIDAY SEPTEMBER 17 1993										THURSDAY SEPTEMBER 16 1993										DOLLAR INDEX	
Figures in parentheses show number of lines of stock		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Dnc. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % ch	1993 High	1993 Low	Year ago (approx)					
Australia (69)		141.98	+1.8	137.18	93.85	118.91	144.18	+0.49	+1.3	3.56	139.73	135.09	92.21	118.70	142.86	148.84	17.19	131.17					
Belgium (42)		170.29	+0.7	113.65	144.18	144.18	144.18	+0.49	+1.3	1.71	171.18	135.43	142.86	142.86	142.86	180.43	131.18	160.10					
Denmark (107)		150.40	-1.0	143.31	92.80	125.85	127.77	-0.4	-0.4	2.86	124.24	122.17	82.02	103.81	118.27	130.38	11.41	125.80					
France (107)		123.75	-0.4	116.56	91.92	103.54	117.74	-0.4	-0.4	2.86	124.24	122.17	82.02	103.81	118.27	130.38	11.41	125.80					
Germany (60)		230.61	-0.3	222.81	91.21	102.97	205.75	-0.4	-1.0	2.86	124.24	122.17	82.02	103.81	118.27	130.38	11.41	125.80					
Italy (70)		107.00	+0.1	122.85	79.58	99.54	123.51	+0.0	0.0	0.61	106.94	103.29	70.51	89.24	129.54	118.58	65.50	54.65					
Japan (60)		161.00	+0.1	122.85	79.58	99.54	123.51	+0.0	0.0	0.61	106.94	103.29	70.51	89.24	129.54	118.58	65.50	54.65					
UK (60)		127.28	-0.1	122.85	79.58	99.54	123.51	+0.0	0.0	0.61	106.94	103.29	70.51	89.24	129.54	118.58	65.50	54.65					
Hong Kong (55)		230.23	-0.0	230.31	119.42	245.38	231.06	+0.0	0.0	3.42	230.23	230.49	244.92	241.96	241.96	241.96	241.96	241.96					
India (14)		167.81	-0.7	167.84	103.50	140.25	169.08	-0.4	-0.4	3.42	167.81	103.50	140.25	169.08	167.81	103.50	140.25	169.08					
Israel (70)		74.55	-0.1	72.04	49.18	52.39	66.85	-0.2	-0.2	1.87	74.50	72.03	49.18	52.39	66.85	72.03	49.18	52.39					
Malaysia (70)		398.78	-0.6	398.78	263.93	341.1	398.78	-0.6	-0.6	1.87	398.78	263.93	341.1	398.78	263.93	341.1	398.78	263.93					
Mexico (19)		1892.20	-0.0	1892.06	112.66	1419.48	5741.96	+0.0	0.0	0.69	1892.20	112.66	1419.48	5741.96	1892.20	112.66	1419.48	5741.96					
Netherlands (24)		182.92	-0.2	176.73	120.62	163.07	150.99	-0.1	-0.1	3.83	183.24	177.18	120.93	150.85	150.88	187.16	150.38	162.48					
New Zealand (13)		60.14	-1.3	58.10	39.67	50.32	57.86	-1.2	-0.8	3.85	60.03	59.90	40.21	50.89	56.97	62.98	40.56	42.71					
Portugal (60)		172.87	-0.3	172.87	114.39	145.30	165.73	-0.3	-0.3	1.59	173.87	167.61	114.41	144.84	164.94	174.87	167.61	114.41					
Singapore (60)		238.68	-0.2	278.68	191.68	242.39	213.05	-0.2	-0.2	2.86	238.68	278.68	191.68	242.39	213.05	238.68	191.68	242.39					
South Africa (60)		186.46	+0.9	183.05	124.87	166.63	159.31	-0.3	-0.3	2.74	187.78	161.65	123.92	156.84	191.88	215.29	144.72	175.83					
Spain (43)		137.84	-0.3	133.18	90.33	115.34	134.82	-0.8	-0.8	4.23	137.41	132.89	90.70	114.79	133.85	140.97	125.15	125.05					
Sweden (36)		185.18	-0.1	178.92	122.15	164.98	181.11	-0.5	-0.5	1.54	185.33	179.18	122.15	164.98	181.11	196.23	148.70	171.43					
Switzerland (60)		167.84	-0.1	167.84	122.15	164.98	181.11	-0.5	-0.5	1.54	167.84	122.15	164.98	181.11	167.84	122.15	164.98	181.11					
United Kingdom (218)		167.84	-0.1	167.84	122.15	164.98	181.11	-0.5	-0.5	1.54	167.84	122.15	164.98	181.11	167.84	122.15	164.98	181.11					
USA (268)		167.68	-0.1	161.25	123.75	156.98	167.68	-0.1	-0.1	2.73	167.68	123.75	156.98	167.68	167.68	123.75	156.98	167.68					
Europe (748)		157.12	+0.3	151.20	103.84	131.48	148.96	-0.4	-0.4	3.11	156.62	151.42	103.86	130.42	148.96	158.39	133.92	142.81					
Nordic (113)		176.86	-0.1	170.68	116.83	147.82	161.45	-0.2	-0.2	1.36	176.82	170.65	116.83	147.82	161.45	181.02	158.88	162.35					
Pacific Basin (714)		161.03	-0.2	155.58	108.22	134.75	110.85	-0.2	-0.2	1.06	161.31	155.58	108.22	134.75	110.85	170.08	105.89	113.31					
Euro-Pacific (1462)		156.31	-0.0	153.42	105.07	133.30	124.85	+0.0	0.0	1.89	159.29	154.00	105.11	133.03	124.85	162.86	117.26	126.20					
South America (627)		183.63	-0.1	177.42	121.14	153.88	182.86	-0.1	-0.1	2.74	183.65	177.45	121.34	153.88	182.86	185.59	171.51	198.37					
Europe Ex UK (536)		137.60	-0.4	132.94	90.78	115.16	123.78	-0.8	-0.8	2.56	137.01	132.48	90.43	114.46	123.03	139.50	112.51	122.41					
Asia Pacific (644)		150.35	-0.1	145.88	103.73	110.84	122.42	-0.1	-0.1	1.82	150.35	145.88	103.73	110.84	122.42	150.35	145.88	122.42					
World Ex. US (169)		150.35	-0.1	145.88	103.73	110.84	122.42	-0.1	-0.1	1.82	150.35	145.88	103.73	110.84	122.42	150.35	145.88	122.42					
World Ex. UK (195)		165.51	+0.0	160.20	106.38	138.76	142.02	-0.1	-0.1	2.04	165.50	160.39	106.49	138.57	142.02	166.50	134.22	137.54					
World Ex. So. Afr. (2108)		167.74	+0.0	162.06	110.65	140.87	145.13	-0.0	0.0	2.22	167.80	162.23	110.75	140.16	145.24	170.43	137.29	140.76					
World Ex. Japan (1988)		175.51	+0.1	169.57	115.78	146.88	186.36	-0.1	-0.1	2.27	175.35	169.53	115.73	146.48	189.20	177.11	157.47	159.27					
World Ex. Europe (2198)		167.78	+0.0	162.08	110.66	140.39	145.81	-0.0	0.0	2.22	167.81	162.24	110.75	140.17	145.98	170.42	137.32	140.29					